

THE  
ROUND TABLE  
*A Quarterly Review of*  
BRITISH  
COMMONWEALTH  
AFFAIRS

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*Contents of Number 204*

A CHINK IN THE CURTAIN

TOWARDS A WAGES POLICY

SAMOA COMES OF AGE

SPAIN AND WESTERN DEFENCE

PRESIDENTIAL SHAKEDOWN CRUISE

AUTHORITARIANISM IN CEYLON

And Articles from Correspondents in

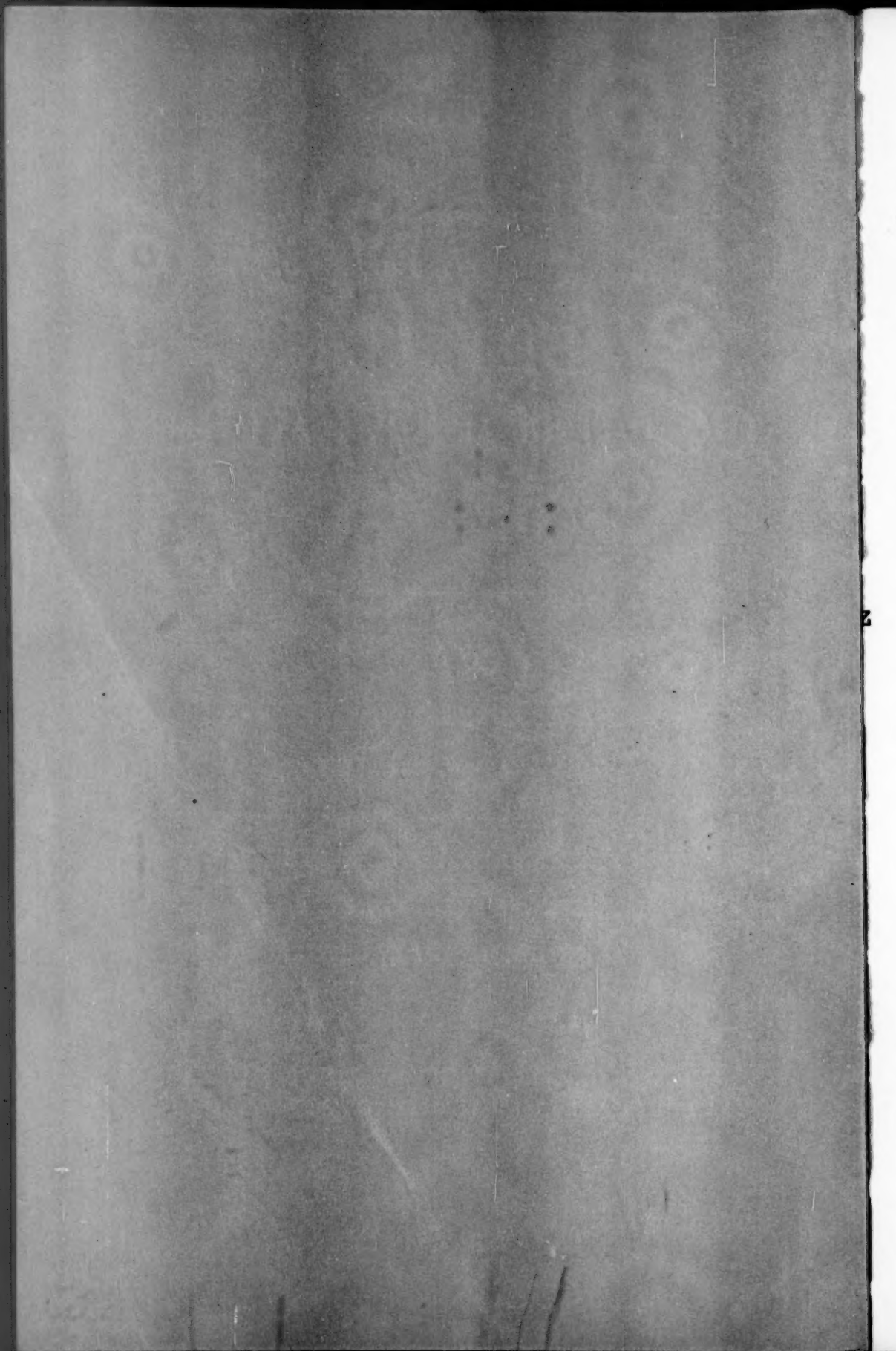
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# THE ROUND TABLE

A QUARTERLY REVIEW OF  
BRITISH COMMONWEALTH AFFAIRS

## CONTENTS

|   | PAGE |
|---|------|
| A Chink in the Curtain                          | 331  |
| Towards a Wages Policy                          | 337  |
| Samoa Comes of Age                              | 347  |
| Spain and Western Defence                       | 365  |
| Presidential Shakedown Cruise                   | 373  |
| Authoritarianism in Ceylon                      | 379  |
| United Kingdom: Gathering Storm                 | 387  |
| Ireland: A Common Problem                       | 400  |
| Pakistan: President Ayub and President Kennedy  | 407  |
| Canada: Inefficient Administration              | 411  |
| South Africa: Republican Debits and Credits     | 419  |
| Australia: The Economic Position                | 424  |
| New Zealand: A Severe Shortage of Oversea Funds | 431  |

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# A CHINK IN THE CURTAIN

## SIGNIFICANCE OF WEST BERLIN

ON Sunday, August 6, the sixteenth anniversary of the destruction of Hiroshima, Major Gherman Titov of the Soviet Air Force was accomplishing his seventeen revolutions in orbit round the earth, and the Metropolitan Police reporting the name of the Earl Russell, O.M., who on the pretext of trying to stop the obliteration of the human race by nuclear bombs had offended against the Hyde Park Regulations forbidding the use of amplifiers of the speaker's voice. The masses of Great Britain and the United States, quite as wholehearted in their admiration for the heroic achievement of Major Titov and the scientists at his back as the citizens of Moscow, revolting against the notion of nuclear war with quite as much horror as Lord Russell and his friends, were streaming away to the sea or the mountains in hope of being granted a brief respite from the frightening anxieties of this year of crisis. The statesmen and diplomatists whose decisions will determine the destinies of these millions continued at their desks in the Kremlin or in conference on the Quai d'Orsay, well knowing that on their wisdom and their nerve hangs the answer to the question whether the proud adventure of Man is to proceed, reaching out to the planets and even the stars, or to be cut short in a Gotterdammerung in which

thy dread empire, Chaos! is restor'd;  
Light dies before thy uncreating word;  
Thy hand, great Anarch! lets the curtain fall,  
And universal darkness buries all.

They know also that the choice between these cosmic opposites has to be worked out in the earthbound terms of the Hyde Park Regulations. For such is the necessary approach to the problem of Berlin.

Never has the temper of the Western peoples been less bellicose; and there is no difficulty in believing that the multitudes behind the Iron Curtain, rightly elated with enthusiasm for their country's technological achievements, are in an equally pacific mood. The generous greeting given to Major Gagarin in London, and to the Covent Garden Ballet in Moscow, are small indications that there is no sense of hostility between the peoples. That in itself is not a guarantee that peaceful counsels will prevail, only that the statesmen on both sides who have to conduct the intricate negotiations of the coming months need not have their diplomatic calm disturbed by the pressure of a public opinion behind them demanding aggression. They, however, are aware, as mass opinion is not, that beneath the immediate crisis over Berlin lurk great issues of principle which could rouse passion and launch peoples as well as governments into mutual hostility. The West believes passionately in liberty, not for itself alone but for all nations, and the Western flags still flying in Berlin are the signals to all the uncommitted world that political

liberty is not in retreat, but capable of advancing beyond its present boundaries. No less passionately, Soviet Communists believe that they possess the secret of social regeneration which is valid for all mankind, and may be told that the continued tenure of the allied positions in West Berlin is the obstacle barring the world's way to its pre-ordained Utopia. At present this conflict of principle is veiled beneath the argument in international law. The longer the issue can be kept in legal terms the better; for good lawyers are predisposed to a settlement out of court, and it is obvious to both sides that some compromise, the compromise of coexistence, must be worked out if catastrophe is to be averted. At present both sides are deploying their legal strength, and the elements of the eventual compromise have scarcely begun to be explored.

The four formerly allied Powers—Great Britain, France, the United States, and the Soviet Union—are in Berlin by right of conquest: the effect of unconditional surrender was to vest German sovereignty jointly in them. (This transfer of sovereignty was the juridical basis of the Nuremberg trials.) Anticipating surrender, the three allies in the field (France adhering to the agreement later) agreed in 1944 to divide Germany into occupation zones, but to make a separate statute for the capital. This statute, which was reaffirmed by both sides in the Paris Treaty of June 1949, did not contemplate the division of Berlin. Though the four occupying forces were to be quartered in their several sectors, the city was to be administered as a whole by a joint Kommandatura, to which the elected municipal government was made subordinate. Although Berlin was buried deep within the Soviet zone of occupation in divided Germany, the agreement of 1944 provided free access to it for the other three Powers.

In the first free municipal elections, in 1946, the Communist Party was heavily defeated. The Russians refused to recognize the result, and in 1948 their Commandant withdrew from the Kommandatura. He has never returned, though a seat is kept permanently open for him. There followed the attempt to cut communications between West Berlin and the Western allies, and its defeat by the airlift. The Soviet set up a separate *Magistrat*, Communist-dominated, for East Berlin, erected boundary controls across the city, and minted a separate currency. But although destroying the intended unity of civic administration, they have not gone to the length of formally incorporating East Berlin into their satellite East German Republic.

West Berlin also has been kept apart from the Federal Republic. The Western Powers have scrupulously observed the forms of the occupation statute, but in practice their part of the city has become fully self-governing. In October 1954 they gave the West Berliners, who regard them as protectors against Communist pressure, a formal assurance that their armed forces would be maintained in the city as long as their responsibilities required, and that an attack on Berlin would be regarded as an attack on themselves.

Meanwhile the two Germanies have become *de facto* separate States, within the Western and Eastern associations respectively, each recognized only on its own side of the Iron Curtain. The theoretical state of war with the former allies has never been formally terminated, because the united Germany which



was the defeated combatant has not yet been reconstituted as a State capable of signing a treaty of peace.

Such in bare essentials is still the situation in Germany and Berlin. Its continuance after sixteen years, not remotely contemplated in 1945, is a very great anomaly in international politics. From the point of view of the West, however, it is not wholly intolerable: that is to say, the maintenance of the *status quo nunc*, irksome as it is, remains preferable to any alternative which has so far, in the face of the Soviet attitude, become attainable. Western proposals for a settlement have long lain on the international table; but the pressure for immediate change comes from the Soviet side.

The Soviet scheme, presented with internal variations of emphasis at different stages of the controversy, requires essentially the acceptance—not necessarily the diplomatic recognition—of the two Germanies as States of equal rank and weight. East Germany would continue with East Berlin as its capital. The occupying Powers would use their influence to persuade the two States to form a federal union on equal terms, and then call a congress at which a treaty of peace could be negotiated with the federation. Meanwhile West Berlin would be established as a Free City under international guarantee, on terms of strict neutrality. To that end the Western Powers would be called upon to withdraw their occupying troops, although small token forces including a Russian and perhaps a United Nations contingent might remain as guarantors of the city's neutrality.

To these specious proposals the West has hitherto replied that it is impossible to equate the West German State, ruled by an independent government elected by its inhabitants, with East Germany, under an administration that has never submitted itself to the judgment of the people but is kept in power by Russian bayonets. The proposed federation would give this unrepresentative régime a spurious authority and indefinitely postpone the unification of Germany on a basis of general consent. As to West Berlin, its people in December 1958 rejected a similar plan by a vote of 93 per cent., with less than 2 per cent. supporting the Soviet, for the very good reason that they see in the presence of the Western forces their only protection, geographically isolated as they are within the Soviet zone, against subjection to a Communist revolution.

The Western alternative to the Soviet scheme would start from the principle of self-determination. It would proceed by means of a joint committee of the two Germanies to agree upon an electoral law, under which free elections should be held throughout Germany, a unified constitution promulgated, and a plebiscite held to ratify it. United Germany should then be brought into conference on the terms of a treaty of peace, and should thereafter be fully autonomous in foreign policy, although there would be a considerable apparatus of security measures as the allied forces withdrew stage by stage, with special attention to safeguards against surprise attack on East or West. Berlin should be unified *pari passu* with the country as a whole, and re-established as the seat of government.

The idea of free elections, however, is repudiated by the Soviet, ostensibly on the ground that there would then be no safeguard against the re-

newal of German militarism, but more fundamentally, as the Western Powers suspect, because such elections would expose the lack of popular support for the Communist régime in the East. The intention of the West in Berlin, as it is represented in Russian polemic, is to seize East Berlin from the rulers who have elevated it into the capital of a new Republic and subordinate it to the alien rule of the Western half of the city, which has been established as "a base for provocative hostile activity" against the Soviet Union.

These then are the rival conceptions of the future of Germany in general and Berlin in particular. The task of statesmanship in the coming months is to see if the deadlock between them can be resolved by any compromise that both sides will tolerate. If no agreement is reached within a comparatively short time, the threat is that the Russians will proceed with that part of their own proposals which is within their separate power to implement. They will finally incorporate East Berlin—illegally withdrawn by them from four-Power administration—with the East German Republic, make a peace treaty with this satellite State, and leave it in unqualified dominion over the whole area which has hitherto been the Soviet zone of occupation—a zone that encloses West Berlin on every side and separates it by a hundred miles of Communist-controlled territory from its friends in the West.

In this obstinate deadlock the most irreconcilable element is no doubt the confrontation of the Western adherence to the principle of self-determination for all Germany with the Soviet demand for entrenchment of the Communist régime in the East. The West has the debating advantage on the legal issue, since the very existence of East Berlin as a separate entity is the consequence of an original breach of agreement by the Russians. The Russians have the advantage of initiative, owing to their specious contention—designed no doubt for an audience in the uncommitted world—that they alone are prepared to make a partial peace with one of the Germanies if no quadripartite agreement can be reached to make peace with the whole. The danger is that both sides have declared themselves so emphatically on the points of their case that they believe to be unanswerable that they are unable to draw back without disastrous loss of dignity. It is emphasized in President Kennedy's television address of July 25 by the grim catalogue of costly measures to put the United States in a position of military preparedness, and in Mr. Khrushchev's reply of August 7, declaring that such a programme of "war-mongering" must be countered by a mobilization of Russia's reserves.

Nevertheless the general tenor of both speeches was ostentatiously pacific, and it is not necessary to assume that Mr. Khrushchev is less sincere than Mr. Kennedy. All the governments concerned desire peace—no doubt provided they get their way; but sane statesmen do not pursue even their vital interests to the extent of involving themselves and their country in the suicide of the human race. We know by experience that sanity cannot always be assumed in the rulers of nations; but fortunately Mr. Khrushchev is not a Hitler. He will drive a hard bargain, but he is open to reason, and will make concessions in return for value received.

It is therefore for the Western Powers, who know that they also will have to make concessions before a settlement is reached, to consider what is the

cardinal point which cannot be surrendered. The answer is not in doubt: it is the protection of the people of West Berlin. The overmastering fear in the city is that, once control of the means of access to it has been transferred to the Communist rulers of the East German territory by which it is surrounded, pretexts will be found for interrupting communications between the protecting Western forces and their home bases, so that their position becomes untenable and West Berlin is left defenceless against forcible incorporation in the Communist State. At a press conference on June 15, it must be remembered, Herr Ulbricht did declare himself ready to give "realistic guarantees" against just this danger, but confidence in his assurances was shaken by other passages in his speech. Mr. Khrushchev on August 7 repeated on behalf of the Soviet backers of East Germany that there was no intention of repeating the blockade of West Berlin. If these promises can be translated into terms of concrete certainty, so that the Western Powers feel confident that they can maintain their guard over West Berlin until a final settlement of the whole German problem becomes possible, then there is surely a basis for negotiation and possible compromise on other points, in the conference to which both Mr. Kennedy and Mr. Khrushchev have expressly invited one another.

The protection of the liberty of the 2½ million citizens of West Berlin is an inescapable moral obligation; but this is not the only reason why the watch has to be maintained. This advanced post of freedom is the one chink in the Iron Curtain, at once the escape-hatch through which in the past decade 2½ million who could not endure the Communist domination have made their way into a larger atmosphere, and the window through which subjects of that blinkered régime can gain glimpses of the reality of the Western way of life. It is because Herr Ulbricht spoke on June 15 of his intention to act against the refugee camps in West Berlin and probably to close Tempelhof airport, their principal means of escape, that his assurances of good intentions towards the West are suspect.\*

Even more than this: the stand in West Berlin is the signal to all the nations of the world that the Western Powers are willing to succour liberty wherever it is endangered. In war, the maintenance of a fortress far behind the adversary's lines is generally effective only in support of a bold offensive strategy. No nation on the Western side is contemplating a military offensive; but in the cold war for authority over men's minds a rearguard action is doomed to defeat. A forward strategy is essential, as Mr. Kennedy emphasized on July 25.

Our peace-time military posture is traditionally defensive; but our diplomatic posture need not be. Our response to the Berlin crisis will not be merely military or negative, it will be more than merely standing firm. For we do not intend to leave it to others to choose and monopolize the forum and framework of discussion. We do not intend to abandon our duty to mankind to seek a peaceful solution.

\* As this issue of THE ROUND TABLE goes to press comes the news that the East German Government, with the concurrence of the parties to the Warsaw Pact, has closed the means of egress from East to West Berlin. The illegality of this action is indisputable: it is not yet clear whether it is a confession of weakness or the opening of a more aggressive phase in Soviet strategy.

There is, indeed, a duty of the United States and her allies to mankind, and the ultimate forum of discussion is the world, which cannot indefinitely continue half slave and half free. While never ceasing to repudiate any intention to assail the Soviet system by force of arms, we have to go on proclaiming positively that our free way of life is not an obsolescent system on the defensive, but an expanding force seeking to win its way by reason to universal acceptance. In this century's general emancipation of peoples, which the detractors of imperialism represent as its defeat, but which is in fact its long-foreseen consummation, the one remaining empire which holds out to its dependent peoples no hope of release from their subordination is the Russian. The record of the Soviets in enslavement and mass destruction in Asia was exposed in the last issue of this review.\* Yet the leaders of newly independent nations in Africa are in danger of being seduced by the persistent propaganda that Moscow is the promoter of liberty and the patron of the allegedly oppressed. It is time that in the peaceful contest for men's minds the counter-attack should be opened, with confident proclamation of the vast achievements to the credit of the protecting, civilizing and ultimately liberating force of the imperialism so ignorantly maligned. It is above all to make clear to all that the West intends no retreat from its mission to win the world for freedom that its forces must continue to mount guard over the liberties of Berlin.

\* See "A Beam in the Eye", in *THE ROUND TABLE*, No. 203, June 1961, pp. 224-36.



# TOWARDS A WAGES POLICY

## INFLATION IN THE U.K. AND THE REMEDY

GOVERNMENTS in trouble have long recognized the advantages of creating a diversion designed to avert the eyes of the public from areas where their record leaves much to be desired. Governments in the U.K. are not given to the use of tactical ploys of this kind, since they are not only crude and dishonest but readily exposed by the journalists of a free press. From time to time, however, events occur spontaneously which have the effect of diverting attention from what is going on at home; in retrospect, the dollar crisis towards the end of last year appears to have performed a function of this nature, and a similar effect was produced hard on the heels of the dollar crisis by the revaluation of the deutschmark and the Dutch guilder. While sterling did not manage to creep out of the limelight entirely, the interest of observers was for many months attracted to the possibilities of a decline in sterling balances through repatriation of speculative funds; in its international aspects, particularly as a medium for the investment of short-term balances, sterling was still news, but developments on the domestic front might well have escaped notice altogether had it not been for the inquiries carried out by the National Institute of Economic and Social Research and by *The Economist*. A process which has in fact been going on quietly throughout the past twelve months has now taken the centre of the stage, and after three years during which little was heard of either the cost of living in the U.K. or the wages and earnings of U.K. labour, the dreaded phrase "wage inflation" is once again the small coin of any discussion about the economic outlook for Great Britain.

There can be few readers of this journal who have not, at one time or another, heard an industrialist holding forth on the subject of wage claims; "it's the same old story all the time—more money for less work. That's all these chaps can think of." To say the least, however, this traditional employers' attitude represents a substantial over-simplification of the working man's point of view. As applied to perhaps the majority of hourly and weekly wage-earners it borders on the slanderous, implying as it does that the greater part of the nation is not only grasping and bone idle by nature but unconscious of any higher considerations such as pride in craft or duty to employer and community. As applied to the minority it may have a greater element of truth; but in these days when even "the employer" is more often than not an employee himself, the salaried official of a limited company in which his stake as a shareholder is minimal or non-existent, can anyone honestly claim that a liking for more leisure and more money as well are confined to those on the lower rungs of the economic ladder? The Englishman who travels on business cannot be unaware of the long office hours which are normal on the Continent, and he can still do business there on a Saturday morning. His own five-day week and short working hours

may have come without a struggle, but one can be pretty sure he would be the first to squeal if there were any attempt to deny him the benefits of economic progress by tampering with his post-war gain of weekend leisure without loss of pay. And finally, one must point out that successive reductions in the minimum working week have had an almost negligible effect on the number of hours actually worked in industry, while the high proportion of workers taking temporary jobs during their new holidays-with-pay has recently called forth protests from a Trade Union official trying to make a case for a three-week paid holiday instead of a fortnight.

We must, therefore, recognize the demand for more leisure as being a reflection not so much of laziness as of a normal and almost universal assessment of human values. Man does not live by bread alone. Television sets and washing machines are not the only things in life worth having. Economic progress means nothing if it does not lead to the option to take its fruits in the form of more free time rather than more cosmetics and consumer durables. If one must join Jeremiah in crying "woe, woe", one would be on more defensible grounds in concentrating on criticism of the wasteful, selfish or unconstructive use of leisure rather than the leisure itself, or deploring the extent to which a higher standard of living is taken out in material consumption rather than in paying for education or the enjoyment of cultural values. Jeremiahs have their uses, but they merely obscure an important issue when their strictures are crudely applied in the field of wage claims; by and large, in one form or another, we all want more money for less work. By and large, moreover, we are all entitled to get one or the other—or both—as the real income of the U.K. expands. What we cannot do, no matter how great our hopes or needs or desires, is to obtain collectively more goods and services than the economic system produces. We are restricted in the useful range of our demands, moreover, by the simple fact that the quantity of jam we eat today is not irrelevant to the quantity of jam we shall be in a position to consume tomorrow; the rate of growth of our national income depends largely on the extent to which we can forgo immediate consumption in order to build up productive capital.

### The Sources of Inflation

IN a monetary economy, inflation appears when the money incomes paid out and subsequently spent exceed the money value, at existing prices, of the goods and services available to the community. Unless such a system is isolated from foreign trade, however, the result of an excessive increase in money incomes is complicated by the fact that the supply of goods and services can be temporarily increased both by a higher level of imports and a reduced level of exports. The immediate effect of excessive money incomes, therefore, may (and usually does) appear in a deterioration in the balance of trade and of oversea payments rather than in a rise in prices; in other words, an attempt to enjoy higher incomes than are being earned in terms of output can be successful for a time, and the period elapsing before the day of reckoning can be lengthened to the extent that a balance-of-payments deficit can be covered by the sale of assets (such as a gold reserve or foreign investments)

or by borrowing from other countries. So far as sterling is concerned, however, the day of reckoning is already here. The identified deficit on the U.K. current balance of payments last year amounted to no less than £344 million; this deficit was temporarily covered by borrowing, a process which was unusually easy in a year when the dollar was under suspicion, but renewal of the short-term loans in question has only proved possible thanks to special assistance by the principal European central banks. Despite this assistance we have been experiencing a steady drain of gold, and our reserves are now not far from what in the past has proved to be a crisis level. As it happens, there is reason for believing that the balance of payments of both the U.K. and the rest of the Sterling Area is beginning to respond favourably to restrictive measures imposed some time ago; this improvement, however, will be obscured during the next few months by adverse seasonal factors and it came too late to save the currency from the threat of severe strain this autumn. No improvement, moreover, can be more than temporary if there is another round of excessive wages increases.

The immediate effect of wage inflation in a country as dependent on foreign trade as the U.K. appears to come from the effect of increased incomes on demand. The home market gets out of hand, and not only sucks in imports of consumer goods but pre-emptes supplies which would otherwise have been exported. When the home market is protected by a high tariff barrier, as is the case in the U.K., and is further insulated by resale price maintenance from the effects of competition, profit margins at home (even when imports are rising) are normally more attractive than those in the export market; manufacturers not unnaturally give priority to easy and profitable sales at home, and exports suffer accordingly. In due course, however, money wages which have increased faster than productivity must seep through into unit costs of production. Exports then begin to suffer from a much more fundamental disadvantage. The buoyancy of the home market enables the manufacturer to offset his increased costs by an increase in the prices he charges at home, but he cannot do so in the export market; the relative attraction of exports therefore declines further, as it does yet again when his costs of production are affected adversely by the rising cost of bought-in supplies as other manufacturers also raise their home prices.

Much has been said and written in the attempt to distinguish between the "demand-pull" and the "cost-push" type of inflation. Both can exist in their own right. We suffered largely from the former just after the war, when all classes of the community were attempting to supplement their current incomes by drawing on past savings in order to make good post-war shortages. The latter type, however, was clearly in evidence between 1949 and 1951; prices rose in those years largely because imported supplies became more expensive in consequence of sterling devaluation and then Korea, and wages followed prices in due course. Since 1951, however, import prices have fallen steadily; the past decade has been one of inflation, but we cannot blame external influences for any part of the 20 per cent increase in U.K. prices since June 1952. It does not seem profitable to attempt to allocate responsibility between the "demand-pull" and the "cost-push" elements in

the almost continuous inflationary pressure from which we have so long been suffering, since the economy has clearly been caught in a vicious circle where both elements have played their part. While the analyst can usefully make distinctions in order to elucidate the various mechanisms at work, wage inflation has in fact been a continuous process in which excessive demand and rising costs have acted and reacted on one another in almost unbroken succession. Wages have risen in order to catch up with higher prices; some prices have risen merely because wages have risen; wages have risen faster than the prices they were chasing; most prices have gone on rising because money wages have outrun increases in productivity. But wages could not have gone on rising had it not been for a continuous state of full and overfull employment, and prices could not have gone on rising had not home demand nearly always sufficed to absorb the full volume of output available to the home market. The political—and social—necessity for maintaining employment at a high level has precluded the effective use of fiscal and monetary measures to reduce effective demand to a level which would bring wage demands and price increases to a halt.

It is now clear beyond reasonable doubt that "full employment", in the only sense politically acceptable today, is incompatible with stable prices if natural forces are allowed free play. The necessary level of employment can only be maintained by a pressure of demand which makes it possible for wage demands to be pressed without fear of a subsequent penalty in the shape of unemployment; the same pressure of demand ensures that employers acceding to such demands will suffer only inasmuch as they are exporters, which means that the vast majority of employers can let wages rise with equanimity. At the level of demand necessary to maintain "full employment", labour—particularly skilled labour—is so scarce that employers bid up wages privately even when formal wage demands are not on the table. This, the insidious process known as "wage creep", is in some ways an even more difficult problem to solve than that caused by inability to resist the excessive wage claims submitted to the process of collective bargaining.

If natural forces, far from keeping inflation in check, can virtually be relied on to produce it under the conditions necessary for maintenance of "full employment", there are obviously two questions to be faced. In the first place, we must assess the cost to the nation of letting events run their course; and in the second place, if the disadvantages of doing nothing appear sufficiently serious, we may properly ask whether it is not possible to temper the free play of natural forces by introducing some artificial measure of control.

### **The Consequences of Wage Inflation**

**T**HE immediate effects of wage inflation on the U.K. balance of payments have been outlined already; they must, however, be qualified in at least one important respect. The analysis set out above is subject to the assumption that the rest of the world by and large, and our competitors in particular, are not suffering from cost or demand inflations similar to our own. If the other main manufacturing nations in Europe, North America and Asia



were suffering from the same disease as ourselves, and to the same degree, then the rising costs of our exporters would be matched by rising costs elsewhere; their home markets would pull in imports and divert goods from export to the same extent, export prices would rise all round, and the only sufferers would be the inevitable orphans of inflation—the world's creditors and all those living on fixed incomes. The position in practice, however, has been that while other manufacturing countries have not been entirely free from inflation they have held wages and prices under more effective control than we have ourselves. We may in future hope for a little latitude, particularly now that Germany and Italy are running into labour shortages not dissimilar from our own; but we still have the problem of cutting down our rate of inflation to not more than the rate of 1 per cent per annum at which world manufacturing prices in general seem likely to rise over the next five years. Unless we do this we shall suffer in three particular ways which in combination constitute a heavy burden on the economy—a burden borne in the long run by everyone, and severe enough to justify the most active search for means of checking wage inflation in any way which does not interfere with full employment.

The first and most immediate penalty for wage inflation has already been incurred. Recent deflationary measures will bring restriction of output, with its consequent loss in overtime earnings and actual unemployment in some industries. These measures will to some extent be felt by everyone through the higher taxes and credit restrictions imposed to reduce home demand. The Government is rightly committed to defending sterling to the last ditch—or at least the last ditch but one—and no short-term remedial measures other than these were available to avert a disastrous deterioration in our balance of payments; imports will now be cut down and pressure in the home market relieved in order to make goods available for export. Production lost is wealth lost; it cannot be retrieved effectively at some later date. The further wage inflation which is threatened this autumn will, if it comes, necessitate intensified counter-measures; even more disastrous, however, may be the loss of production incurred if resistance to wage demands leads to a winter of widespread strikes or tactics such as “going slow”, “working to rule” and the banning of overtime.

A second and more enduring penalty will be incurred if sterling falls, as it surely will unless the excessive rise in money wages is brought to a halt in the near future. Devaluation of sterling would turn the terms of trade against us, so that every unit of human time and effort spent in producing export goods would bring in a smaller counterpart in the form of imported goods. The loss would be spread throughout the nation in the form of real incomes which would be lower than would otherwise have been the case.

The most fundamental and lasting penalty of all for continued wage inflation, however, would be felt in the form of a loss of economic growth. The U.K. economy has indeed suffered long for precisely this reason. The checks to demand which have had to be imposed at frequent intervals because inflation has brought balance-of-payments crises have wrought havoc on the economy; they have meant uncertainty interfering seriously

with the forward planning of the business community, they have held back production, and they have caused a distrust of sterling which has lost us the benefit of invisible income we should otherwise have enjoyed. Exporting industries, steadily losing their share of world markets because of rising costs and adverse delivery dates induced by excessive home demand, have been unable to plan for the growth which would have been theirs in other circumstances. Income inflation at home has stimulated demand for the products of secondary and tertiary industries catering purely for the domestic market and has inflated the demand for non-exportable services. The labour force has been under-employed because in conditions of excessive home demand employers have hoarded manpower; yet business men have hesitated to plan for growth, even when the demand for the product was there, because they have doubted whether labour to man new factories would be available.

Wage inflation is like a drug. The immediate effects are pleasant and produce a craving for more; but continued indulgence saps the health of the addict insidiously, weakening his resistance and stunting his growth. To break away from a drug is a painful and difficult operation; but it can usually be done. If we could set ourselves free from the tyranny of excessive wage claims all sections of the community would benefit; they would not in fact lose appreciably in the short run and they would gain—probably by leaps and bounds—in a few years' time. "More money for less work" is not a prescription for mortal sin, it is economic man's due as the economy expands; but by demanding just a little more than is available, the wage earner can and does ensure that in a few years he will still be working a 44-hour week when it might have been 4 hours less, or earning £20 a week at a much higher cost of living when it might have been £20 a week at today's prices.

### Tolerable Limits

**B**EFORE considering briefly the possible means whereby the inexorable pressure of natural forces might be tempered, it is appropriate to consider whether the tolerable maximum for a non-inflationary increase in money wages can be defined. One prescription for the appropriate increase in money wages can be ruled out of court immediately. If money wages in the most dynamic industries kept pace with the increase in output per head in those industries inflation would be the certain result, for workers in other industries (and also workers in service occupations where output per head in real terms is not strictly measurable), would insist on comparable wage increases in order to maintain their relative status; nor would this offend against any natural canons of right and fairness, since it is unlikely that the really big gains in productivity will be due to the additional personal effort of the workers engaged in the industries concerned, instead of to technological changes. By and large, wage increases throughout the economy keep in step, any gain by one section of workers calling for comparable increases elsewhere. If the pace were set by the greatest sectional increases in productivity, it would be impossible for wage claims in general not to exceed

the average gain in productivity, and inflation would therefore be inevitable. For a similar reason, since productivity in industry normally grows faster than productivity in either agriculture or the service sectors of the economy, inflation would soon result if money wages increased *pari passu* with output per head in industry; the rate of increase so ascertained would exceed the rise in the national income per head, and the resulting money incomes would exceed the volume of goods and services available at current prices.

It will seem clear from the above discussion that the appropriate yardstick for increases in money wages is the rate of increase in the *per caput* Gross National Product, and no better criterion is in fact likely to be available in practice.

Past changes in G.N.P. per head can be measured, and the broad trend ascertained. Current changes can be estimated, but not with any reasonable degree of accuracy. Year-to-year changes can be quite large, but such changes are the short-term result of changes in the percentage utilization of existing capacity rather than of productive capacity as such. In theory one would wish to see money wages follow the long-term trend of G.N.P. per head, assuming a constant percentage utilization of capacity. This result will be achieved closely enough in practice whether wages are linked directly to the long-term average, or move in the short period in conformity with some cumulative determinant of that average such as the change in productivity during the past year. If inflation is to be avoided, however, the rise in minimum (i.e. nationally negotiated) wage rates would have to be less than movements in G.N.P. to an extent corresponding to any "wage creep" taking place as a result of movements in wages actually paid out by employers bidding against each other for scarce labour.

### In Search of Leadership

THE days when inflation could be held at bay and the currency defended by letting men rot in idleness have gone, never—one hopes—to return. Is continuous inflation the only alternative to the kind of wage discipline which even dictators find none too easy to enforce, or can the play of natural forces be tempered by some voluntary modification of the process of collective bargaining so jealously defended by the trade unions? There are many wise and experienced politicians who believe that in the present mood of the country, despite an unprecedented absence of bitterness, this problem is not one in whose solution the Government can usefully play an active rôle. Such men, remembering the days of the General Strike in 1926, the social upheavals of the "thirties", the industrial disorders which took place even when the country had its back to the wall during the Second World War, and the failure of the wage freeze attempted by Sir Stafford Cripps under a Labour Government, regard political intervention in the wage bargaining process as impossible. They hope against hope that an initiative will come from elsewhere—be it from the side of the employers, from a far-sighted trade unionist, or from some private person or persons with national prestige and no obvious axe to grind—as a result of which employers

and employed will be brought together and persuaded to thresh out a viable wage policy in an atmosphere of mutual understanding and goodwill.

One has only to state the problem and survey the field to realize how slender are the chances that it will be solved within any useful period of time through some private initiative. There are national figures amongst the ranks of both trade unionists and industrialists—men who wield power, men with great qualities, men who make headlines whenever they open their mouths. But where are the statesmen of the calibre of Ernest Bevin, of Arthur Deakin, or of Mond? After the General Strike in 1926, when there was a problem of comparable magnitude to be solved in far more difficult circumstances, what became known as the Mond-Turner initiative came within an ace of success. Who is there today who commands the authority required to play a similar rôle? It seems clear that there is today a dearth of national leaders with the requisite capacity to inspire confidence and trust, nor are there any signs—on either side of the fence—that some man of courage and faith might be willing to come forward and try. The issue is one transcending class and party, but there are few indeed who are not deeply suspected of bias in favour of some sectional interest. Is there no one alive today whose status and popularity might suffice to make the initial break through the present barriers of distrust and supposed self-interest? All that is required, perhaps, is the simple genius which could persuade participants to enter the conference room as humbly and earnestly as the host, leaving their guns at the door. The task is indeed that of host rather than chairman, for the essential part of the rôle is no more than that of making delegates actively and continuously conscious of the nation's interest that agreement should be reached; the working chairmanship, one might suggest, could be taken on successive days by representatives of the employers, the unions and the Government.

A working party of the kind envisaged would have to labour behind closed doors; it would be fatal if it became a platform for the striking of belligerent public attitudes. But those negotiating could, one feels, be made deeply conscious that the outcome would be anxiously awaited by a nation prepared to direct public anger and contempt at any participant wrecking the conference and sabotaging the national interest by irresponsible pursuit of private sectional interest. The obvious underlying theme of such a conference has already been put forward in a remarkable leading article in *The Times* of July 13, 1961, and must be quoted in full:

If the price of a national wages plan is a national profits plan it would be well worth paying. In fact, social cohesion will never be achieved and Britain become one nation unless whatever is asked of one class is voluntarily matched by equal renunciations from the other.

Such things, it will be declared, are impossible. This is not true. They happen when there is a war. Then a nation dare not do otherwise. Britain is fighting two wars today, a cold war in alliance with the rest of the free world in which economic defeat is an avowed aim of the enemy; a war on her own in which the stake is her standard of living and eventually her way of life.

While one would prefer, on many grounds, to see this grave national



problem tackled on a plane removing it entirely from the field of party politics, the Government cannot justifiably wait indefinitely for "something to turn up". Where there is a major and urgent need, it is abdication for Government to be deterred from action by fear that its endeavours will be unsuccessful. The Swedes and the Dutch, both of them nations of independent spirit with powerful trade unions, have shown that there is nothing impossible about a "wage policy by consent", with the problems involved being hammered out in negotiation between the employers, the wage-earners, and the Government which is the biggest employer of them all. It may well be that agreement would prove unobtainable in the absence of a "package deal" covering profits as well as wages; but the employer who claims that increases in money wages are self-defeating can hardly deny the corollary that the corresponding inflationary rise in profits is equally illusory in so far as it is not stolen from the lender at fixed interest. If the price of wage moderation is profit moderation, that price will be fair to the extent that it is a real price, but most of it will be as imaginary in real terms as the loss of the workers themselves. It is not necessary, moreover, to control profits in detail in order to limit them in total to a figure acceptable to the trade unions, since profits are taxed on a "previous year" basis and taxable profits are estimated annually for budget purposes. Whether employers like it or not, the U.K. will have to move in the direction of a negotiated and positive wage policy in the near future, or suffer a never-ending series of economic setbacks which the country can ill afford.

### It is not yet too late

*THE TIMES* spoke up nearly a fortnight before the Chancellor of the Exchequer announced his measures, and at a time when policy was apparently still in the melting pot. What emerged was a disappointment, however unavoidable the imposition of restrictive short-term measures may have been, for the two basic long-term problems were acknowledged rather than tackled firmly. The Government has begun a mild flirtation with current French methods of encouraging growth, and has announced its intention to impose wage restraint on its own employees and those of the nationalized industries. As regards wages, profits and dividends in the private sector of the economy, however, it has fallen back on the usual vain admonitions. By increasing both costs and prices, moreover, the short-term measures taken will in themselves make achievement of wage restraint more difficult before long.

The reaction of the trade unions to the Chancellor of the Exchequer's measures and appeals was instant and vigorous. Within a week working-class feeling was epitomized in a resolution passed at the Annual Conference of the National Union of Mineworkers in the following terms:

These measures are completely irrelevant to the real economic problems of the country, which can only be solved by a policy of economic planning and social justice. They represent an attack on full employment and a deliberate lowering of the value of real wages.

In these circumstances, the National Executive Committee reaffirms its opposition to wage restraint and declares its determination to proceed in due course

with its just claims for maintaining and improving the wages and conditions of its members.

It is almost irrelevant to point out the question-begging nature of the rhetoric employed in proclamations of this kind, for behind the exaggeration and the dangerous nonsense lies the fact that the problem of wage inflation will not be solved until justice is not so much seen as felt to be done by the greater part of the nation; nor is there any good reason, even within the ambit of an efficient capitalist economy and of our present social institutions, why it should not be. While the task of finding an acceptable compromise in the plane of social justice has still to be tackled, the bargaining counters held by the Government in this respect are fortunately powerful; and they have not yet been played. It is for this reason that the door to agreement on wages policy is still open.

Participants at a round-table conference might well reach agreement on the basis that for five years neither profits after tax (in total, but certainly not as regards the individual firm), nor wages nationally negotiated or privately offered, should march ahead faster than increases in national productivity already ascertained; such a conference could also make agreement conditional on at least partial restitution of the surtax removed in the April budget. In return, one would hope to see the abandonment by Labour of many restrictive practices, and also effective action against unofficial strikers. If government action along these lines were the remaining requisite before employers and Labour ratified a wages policy, can one doubt that Downing Street would have to move with the tide?

Time is the enemy of us all. But for that tyrant, one might hope that the cure for our economic ills would come easily in the long run, thanks to the gradual but continuous process of education and the improved understanding made psychologically possible by higher living standards and full employment. But the harm done to the economy by creeping wage inflation had put the disease in a category calling for immediate medical attention even before the Government's decision to apply for membership of the European Common Market. By throwing ourselves open to the full blast of competition while remaining no less committed to maintaining full employment, we shall be rendering the economy more vulnerable than ever to the havoc wrought by wage inflation. Events in the past two months have not only brought a great opportunity for drawing all sides of the nation together in the battle for economic survival, but have made a vigorous and sincere attempt to achieve an agreed wages policy imperative.

# SAMOA COMES OF AGE

## THE DEVELOPMENT OF INDEPENDENCE

ON May 9, 1961, the people of the Trusteeship Territory of Western Samoa gave an overwhelmingly affirmative answer to two questions submitted to them in a plebiscite supervised by a United Nations Plebiscite Commissioner. The questions and the voting figures were:

1. Do you agree with the Constitution adopted by the Constitutional Convention on October 28, 1960?

|                |                      |
|----------------|----------------------|
| Yes . . .      | 31,426 (83 per cent) |
| No . . .       | 4,909                |
| Informal . . . | 1,562                |

2. Do you agree that on January 1, 1962, Western Samoa should become an independent State on the basis of that Constitution?

|                |                      |
|----------------|----------------------|
| Yes . . .      | 29,882 (79 per cent) |
| No . . .       | 5,108                |
| Informal . . . | 2,907                |

37,897, or 86.1 per cent of the total number of estimated eligible voters, participated in the plebiscite.

The plebiscite was a decisive stage in the emergence of the first fully-independent Polynesian State. There remained only the relatively formal steps of discussion in the Trusteeship Council, implementing legislation in New Zealand, and a resolution of the General Assembly naming the date on which the Trusteeship Agreement was to terminate. On that date—expected to be January 1, 1962—the Constitution of the Independent State of Western Samoa will automatically come into force. The new State will then be free to enter into such relations as she chooses with other States, including New Zealand, the former administering authority.

### Size, Population and Economy

WESTERN SAMOA, lying about 1,500 miles north-north-east of Auckland, consists of the two large islands of Savai'i and Upolu and the two small islands of Manono and Apolima. The total land area of about 1,100 square miles is volcanic and the islands are fringed with coral reefs. Rugged and heavily wooded mountain ranges form the core of the two main islands.

The population of the Territory is now about 110,000, of whom the majority are full-blooded Polynesians and form the largest branch of the Polynesian race other than the New Zealand Maoris. There are, perhaps, 8,000 inhabitants of mixed origins, some 6,000 of whom hold the legal status of "Europeans". The rate of population increase—just over 3 per cent—is

high and if this is maintained the population will reach 185,000 in 1975. Nearly half the population are under 15 years of age.

Other islands of the Samoan Group make up American or Eastern Samoa. The main island, Tutuila, is 70 miles east of Apia and the capital, Pago Pago, has the only good harbour of the whole group. The population of American Samoa is about 21,000.

Apart from the majority of the inhabitants of Apia, the political capital and commercial centre, the Samoans live in villages along the foreshore and maintain customary modes of life. Their traditional social system is based on the *aiga* or extended family group headed by a *matai*. A *matai* title is conferred by the common consent of the family and, generally speaking, any member of the group is eligible for election. The *matai* has certain privileges but also important duties. He is the family's spokesman and embodiment; he cares for its members and directs the use of the family lands and other property. He also represents the family in village and district *fono* or councils. There are many grades of *matai*. In some cases the *matai* title may have only a limited local importance, but the hierarchy extends to titles with pervasive influence over whole districts and among widespread relationship groups. The holders of some of the leading titles, therefore, have a pre-eminent position in the social and political structure of the whole of Samoa.

J. W. Davidson has said of the political significance of the *matai*:\*

Politics have always remained the prerogative of the *matai*, who have sat in council (*fono*) to settle disputes and determine the welfare of the community. At the village level, this has involved continuous and effective administration. At higher levels, a *fono* would have been effective in earlier times when circumstances, such as the threat or existence of war, made combined action necessary. The fundamental concern of political activity was, traditionally, the maintenance of a harmonious relationship between the *matai*. The humiliation of a *matai* affected detrimentally the position of those associated with him; his success—for example, as a leader in war or through the marriage of his son to a girl with influential connexions—similarly improved their position.

The climate of Samoa is tropical, with two distinct seasons, wet and dry. The village communities maintain an economy, based on agriculture—the staple foods are taro, bananas and coconuts—and fishing, which makes them largely self-sufficient. The territory is almost completely dependent for its overseas exchange on the export of copra, cocoa and bananas. The values of these exports over the past three years have been:

|               | 1958      | 1959      | 1960    |
|---------------|-----------|-----------|---------|
|               | £         | £         | £       |
| Bananas . . . | 1,007,189 | 904,281   | 647,514 |
| Cocoa . . .   | 1,247,308 | 996,673   | 719,788 |
| Copra . . .   | 618,659   | 1,357,846 | 989,612 |

The figures for cocoa and copra demonstrate the sensitivity of the Samoan

\* "The Transition to Independence: The Example of Western Samoa", *The Australian Journal of Politics and History*, vol. vii, No. 1, May 1961, p. 20.



economy to overseas price fluctuations, while a severe storm contributed to the drop in banana figures in 1960.

### The Period before 1947

IN the nineteenth century, when Great Britain, the United States and Germany became interested in the Samoan islands, traditional Samoan institutions did not encourage the development of internal political unity. Feuds between the rival families, European economic penetration and decimation by disease all contributed to a period of endemic anarchy, periodically convulsed by struggles for power among the high chiefs, each of whom enjoyed the backing of one of the interested foreign powers. Civil war broke out in 1889 and the three Powers agreed by Treaty that Samoa should become neutral and independent and that Malietoa Laupepa should be recognized as King. The death of the King in 1898 and a dispute over the succession ultimately led the three Powers to conclude in 1900 a series of Conventions under which the United States annexed Eastern Samoa while Germany acquired Western Samoa. Great Britain withdrew from the Group in return for the recognition of claims in other parts of the Pacific.

During this period New Zealand was not without her Pacific ambitions. Prime Minister Seddon, with grandiose ideas of a Pacific Federation, had sought British approval to New Zealand annexation of Fiji, Samoa and other Pacific islands. The British action in renouncing rights in Samoa was, in Seddon's words, a "betrayal" of New Zealand.

On the outbreak of war with Germany in August 1914, New Zealand military forces occupied Western Samoa. In 1919 the territory was placed under New Zealand mandate and the new civil administration made honest, and to some extent successful, efforts to introduce reforms. Progress was made in the fields of health, education and agricultural development and efforts were made to build up a system of representative local government. Nevertheless, these attempts to force the pace of Samoan development, involving as they did some interference with traditional Samoan culture, led to increasing opposition. Samoans and part-Europeans, acting with mixed motives, organized themselves into the *Mau*. This movement pursued a policy of non-cooperation and passive resistance, although there was, in 1929, a short period of open rebellion. After the Labour Party assumed office in New Zealand in 1935, relations with New Zealand improved; but it was the friendship and goodwill shown by the Labour leaders rather than any attempt by the Labour Government and its advisers to evolve a constructive policy that ensured that these good relations were maintained during a period when New Zealand was preoccupied by domestic issues and by the demands of war.

The *Mau* period demonstrated that an inexperienced New Zealand administration with good intentions had not had the knowledge of the Samoan people, or the wisdom, to carry out those intentions effectively. From one point of view, however, the *Mau* movement was an augury for the future. The movement could claim to be national—overriding family and district

rivalries—and thus to provide a basis for the national unity which was to be required in the next stage of Samoan development, the emergence of self-government.

### The Trusteeship Period

NEW ZEALAND, as a firm supporter of the idea of international accountability for non-self-governing territories, readily accepted that Samoa should become a trust territory under the United Nations Trusteeship system. When representatives of the Samoans were consulted as to the terms of the trusteeship agreement, they expressed their fear that trusteeship status would bring them no nearer to their "ultimate aim of self-government". The New Zealand Government chose to proceed with the conclusion of the trusteeship agreement—it was approved by the General Assembly in December 1946—but agreed to submit to the United Nations a petition by the Samoans setting out their views on self-government. On New Zealand invitation, the United Nations sent to Samoa a Visiting Mission, led by the President of the Trusteeship Council. This mission kept both the Samoans and the New Zealand Government informed of the trend of its thinking and this enabled the Government to anticipate the Report of the Mission in a statement proposing "the first steps in a process which will not end until the Samoan people are able to assume full responsibility for the control of their own affairs".

New Zealand legislation in 1947 provided that the Administrator (henceforth to be known as the High Commissioner) should consult a Council of State consisting of himself and the three eminent Samoans known as the *Fautua*. A Legislative Assembly, with 11 Samoan elected members, 5 members elected by the "Europeans" and 6 official representatives, replaced the old advisory Legislative Council, and was given legislative powers which included substantial control over the Territory's finances. In 1952 an Executive Council with advisory functions was established. Then, the following year, the Prime Minister, Mr. Holland, issued a White Paper proposing a quickened pace of political and economic development and the holding of a Constitutional Convention to assist this development.

The resolutions of the Constitutional Convention of 1954 were accepted in substance by the New Zealand Government and have provided the framework for Samoa's subsequent development towards self-government. In the same year, the four members of the Executive Council chosen from elected members of the Legislative Assembly (three Samoans and one "European") were renamed Associate Members and associated with the three official members of the Council in the administration of Departments. This attempt to give elected members of the Council greater experience of the machinery of government was extended in 1956 by the establishment of the member system, under which full executive responsibility for many of the Departments of government passed to the six elected members of a reconstituted Executive Council. The High Commissioner, who remained a member of the Executive Council along with the *Fautua* (there were now only two), was to consult with and accept the advice of the Executive Council on all but a few

matters. In 1957 the number of elected members became seven (five Samoan and two "European") and they were styled Ministers.

1957 also saw the reconstitution of the Legislative Assembly. This involved the abolition of the *Fono* of *Faipule*, an assembly of 41 members each representing a geographical constituency, which had for a period of 52 years advised Administrators and High Commissioners on matters affecting the Samoan people. The *Fono* had also elected the eleven Samoan members of the Legislative Assembly established in 1947. The new Legislative Assembly consisted of 41 Samoan members elected to represent the former *Faipule* constituencies. There continued to be 5 members elected by the "Europeans", but only three of the official members—including the Financial Secretary and the Attorney General—remained. This change involved the withdrawal of the High Commissioner and *Fautua* from the Assembly. A Speaker, appointed from outside the membership of the Assembly, replaced the High Commissioner as President. In February 1958 Mr. E. F. Paul, a "European" member of the Executive Council, was elected Leader of Government Business.

### The Final Stage

DURING 1957 the New Zealand Government as administering authority began to give its attention to the problems associated with the concluding stage in the development of a system of responsible government as envisaged at the time of the 1954 Constitutional Convention—the establishment of cabinet government in 1960. It was appreciated that decisions would be required on a series of closely related issues: the assumption by the *Fautua* of the powers and functions of the Head of State and the consequent change in status of the High Commissioner as representative of New Zealand; the drafting of a new Constitution for Western Samoa; the future relationship between Western Samoa and New Zealand; and the drafting of empowering legislation in New Zealand. A complicated series of steps was involved, and it was apparent that action in Samoa itself, approval of each stage by the Trusteeship Council and General Assembly of the United Nations, and legislative action in New Zealand would have to be integrated. On the other hand, there was some objection to the laying down of a firm timetable which committed the administering authority to take the final step by a certain date irrespective of satisfactory progress during earlier steps.

It was to be inferred from the statements made at the time of the Constitutional Convention of 1954 that the termination of the trusteeship agreement and the consequent removal of New Zealand responsibility would come very shortly after the establishment of cabinet government in late 1960. The administering authority later appreciated, however, that it was desirable that there should be a period during which the Samoans should have experience of the responsibility of self-government while New Zealand was still in a position to provide advice and help. It was also desirable that discussions on the future of Samoa should be conducted with a government responsible to an elected Legislative Assembly, rather than with an Executive Council inhibited by the presence of the High Commissioner, and, to a lesser extent, of the two *Fautua* who were destined to become Head of State. New Zealand

therefore proposed that the High Commissioner and *Fautua* should voluntarily withdraw from the Executive Council and so accelerate the establishment of cabinet government. After a series of discussions, which mainly concerned the interim relationship between the Cabinet and the Council of State, it was decided that cabinet government should be established on October 1, 1959, with the appointment of a Prime Minister.

The administering authority had also stimulated the formation, in January 1959, of a 16-member Working Committee on Self-government, composed of the *Fautua*, the seven elected members of the Executive Council, and seven other members of the Legislative Assembly. It was originally contemplated that the responsibilities of the Working Committee would be taken over by the Cabinet, but in the event the Working Committee, with minor changes in composition, has remained in being until the present time. The Samoan leaders appointed Dr. J. W. Davidson, Professor of Pacific History in the Australian National University, as their constitutional adviser. He acted as Adviser to the Working Committee, which was also assisted in its deliberations by Professor C. C. Aikman, the New Zealand Government's Constitutional Adviser on Western Samoa.

As early as June 1958 New Zealand had asked the Trusteeship Council that its Visiting Mission, due to visit the Territory in 1959 on one of its regular triennial tours, should make recommendations on the nature and timing of the final steps preliminary to the termination of the trusteeship agreement. In accepting this proposal, the Trusteeship Council appointed a Special Mission of outstanding membership. All were of ambassadorial rank and had served as their country's permanent representative on the Trusteeship Council. They were Mr. Arthur Lall of India (Chairman), Mr. Omar Loutfi of the United Arab Republic, M. Jacques Kosciusko-Morizet of France and Sir Andrew Cohen of the United Kingdom, formerly Governor of Uganda.

The Mission held detailed discussions in Wellington and in Samoa and made a series of recommendations which reflected the views of both administering authority and Samoans. The Mission was clearly anxious to recommend in its report the remaining steps in the achievement of self-government. The New Zealand Government accordingly submitted a timetable "on the understanding that it was only tentative and might be subject to amendment". The Mission commended the timetable to all concerned and it has in fact been adhered to very closely. The timetable specified the action which would be required in Samoa, in New Zealand and by the various organs of the United Nations. Provision was made for a Constitutional Convention late in 1960 and the following steps were expected for 1961 and 1962:

1961

- |           |   |
|-----------|---|
| May       | Plebiscite in Western Samoa   |
| June/July | Trusteeship Council examines report of Plebiscite Commissioner and is asked to make recommendation to General Assembly concerning termination of the Trusteeship Agreement. |
| August    | New Zealand Parliament passes implementing legislation.   |
| November  | General Assembly asked to take appropriate action in respect of   |



Trusteeship Agreement (e.g. termination on an agreed date such as December 31, 1961).

1962

January Conclusion of Treaty of Friendship between New Zealand and Western Samoa.

The steps proposed for May and June/July have already been taken, and there is every reason to believe that the General Assembly will accept the recommendation of the Trusteeship Council that "taking into account the wishes of the people of Western Samoa as expressed in the plebiscite, [it should] decide, in agreement with the Administering Authority, to terminate on January 1, 1962, when the Trust Territory will become independent, the Trusteeship Agreement. . . ." Once Samoa becomes independent the new state will be in a position to negotiate and conclude, if it so wishes, a Treaty of Friendship with New Zealand.

This outline of the steps which have led to the imminent establishment of the Independent State of Western Samoa can appropriately be concluded with a reference to the work of Mr. G. R. (now Sir Guy) Powles, the New Zealand High Commissioner from 1949 to 1960. The story of developments in Samoa is remarkable in that, for much of the trusteeship period, initiatives came from Mr. Powles rather than from the New Zealand Government itself or from its advisers in Wellington. Mr. Powles sought to anticipate Samoan aspirations and thus to place himself in the van of the movement towards independence. This sympathy, and the influence he was able to exert on successive New Zealand governments, meant that he largely dictated the pace of constitutional development in the Territory.

### The Constitution

THE main task of the Working Committee on Self-government was to prepare a draft of a new constitution for Western Samoa. At one stage the emphasis was on the emergence of a "self-governing" Samoa, but, as discussions on Samoa's future status developed, it became recognized that Samoa was moving towards independent statehood. Article 1 of the Constitution provides that "The Independent State of Western Samoa . . . shall be free and sovereign".

In keeping with this status, it was recognized that the Samoa Act, 1921, and its amendments—which were Acts of the New Zealand Parliament—should no longer include the constitution of Western Samoa. Nor should it provide the basic legal authority for a new Samoan constitution. The Constitution should emerge as a constituent act of the Samoan people acting through a Constitutional Convention. There was, however, the problem of establishing and summoning the constitutional convention itself. At this point, practical considerations prevailed over strict theory and the Legislative Assembly, which was itself constituted under the Samoa Act, passed in 1960 a Constitutional Convention Ordinance which established "a Constitutional Convention for Western Samoa for the purpose of making provision as to the constitution of Western Samoa". This formula was intended to authorize the summoning of the Convention. It was not intended to provide

the basic authority for the making of the Constitution itself, which in terms of its Preamble provides

NOW THEREFORE, we the people of Western Samoa in our Constitutional Convention, this twenty-eighth day of October 1960, do hereby adopt, enact, and give to ourselves this Constitution.

The membership of the Convention was to include the *Fautua*, members of the Legislative Assembly, and Tuimaleali'ifano, a *Tama-a-Aiga*, that is, a holder of one of the royal titles who did not otherwise qualify. Provision was also made for the election of three additional members for each of the 41 Samoan constituencies and 10 additional members representing the "European" electorate. Membership of the Convention was limited to Samoan citizens. The *Fautua* were named as Joint Chairmen and the Prime Minister as Deputy Chairman. Provision was made for the Convention to be dissolved on the date on which the Legislative Assembly was dissolved if it did not sooner dissolve itself. The Convention eventually adjourned *sine die* and therefore was dissolved when the Legislative Assembly was dissolved on November 11, 1960, as a preliminary to the holding of a general election on February 4, 1961.

A draft Constitution was prepared by the Working Committee at a series of meetings extending over a period of seven months ending in July 1960. In its discussions of the draft Constitution, the Working Committee considered many issues of policy affecting the structure of the new Samoan State which were not appropriate for inclusion in the new Constitution, and its recommendations on these issues were contained in a series of resolutions which were submitted to the Constitutional Convention and eventually adopted by the Convention. Many of these resolutions contained proposals for legislation to be passed by the Legislative Assembly.

The Working Committee devoted little attention to the basic constitutional framework of the new State. The resolutions of the Constitutional Convention of 1954 were, in general, regarded as definitive, and these resolutions had provided for a single Legislature, and a Premier and Cabinet which would "control the Executive Government" and be responsible to the Legislature. It followed that the Head of State, who in the first instance was to be the two *Fautua* acting jointly, was to hold the position of a constitutional monarch as developed under the British parliamentary system.\* Moreover, developments after 1954, as already outlined, followed a pattern familiar in British colonial territories and recognized as having as its fulfilment responsible government on the Westminster model. A critical observer might question the applicability of this model to the situation in Samoa. However, it had to be accepted that Samoa must have an effective central government geared to the needs of a state in the modern world and that such experience as New Zealand had to offer lay in the application of the British model to New Zealand's own circumstances. It can also be said, in defence of the assumptions on which constitution-making proceeded, that the parliamentary

\* Still more precisely, perhaps, the Baratarian system as expounded in *The Gondoliers*.  
—Editor.

system with its inherent flexibility had already shown itself suited to Samoan conditions. No doubt departures from the classical model can be foreseen, but there is reason for hope that the Samoans are mature enough politically to ensure that such departures are consistent with the maintenance of viable government.

The Constitutional Convention sat from August 16 until October 28, 1960. The Constitution of the Independent State of Western Samoa which emerged and was adopted with only one dissident—a "European" representative—contained no substantial changes from the draft adopted by the Working Committee. The Convention did, however, adopt a number of resolutions additional to those submitted to it by the Committee.

The subjects dealt with and the form taken by the new Constitution would not surprise the reader of some of the more recently drafted constitutions of Commonwealth countries. Ghana, India, Malaya, Nigeria, Pakistan and Singapore were amongst those looked to for precedents. There are Articles dealing with Fundamental Rights, the Head of State and the Executive. A single-chamber Legislative Assembly is established and there are provisions relating to the Judiciary, the Public Service, Finance, and Emergency Powers. Samoan custom and tradition is specifically acknowledged in a section dealing with Land and Titles, but the impact of custom and tradition is also to be seen by examining the provisions relating to the Head of State, the Executive Council and the membership of the Legislative Assembly alongside the resolutions affecting those provisions.

#### Head of State and Cabinet

THE office of *Fautua* or "High Adviser" was established in 1912 by the Germans as a means of recognizing the representatives of certain of the royal lines without giving them any power. The office was taken over by the New Zealand administration, and when in 1947 the first stage of self-government was introduced the opportunity was taken of recognizing the position of the holders of the office of *Fautua* in Samoan custom and tradition by appointing them as members of the Council of State. For some years now there have been two *Fautua*, the Hons. Tupua Tamasese and Malietoa Tanumafili II, respectively holders of the Tupua and Malietoa titles.

The two *Fautua*, and particularly Tamasese, have had a cardinal share in constitutional and political developments in Samoa. Tamasese's brother, the leader of the *Mau*, was killed during the *Mau* rebellion in 1929, and Tamasese was President of the *Mau* when in 1937, as a gesture of reconciliation, he was appointed a *Fautua* by the Labour Government. Tamasese has been able, by his close relationship with Sir Guy Powles, to influence the policies of the administering power. He is a mature and experienced politician who is pre-eminent among Samoans for his knowledge of British political practice and of the world political scene. He shows little bitterness. On the other hand, Tamasese's influence has often been conservative in that he has not always readily appreciated that the establishment of a Samoa which is politically and economically viable will demand some modification of traditional Samoan practices.

As has already been suggested, the removal of the High Commissioner and the two *Fautua* from the Executive Council became an essential preliminary to the development of responsible government in Samoa. Apart from the constitutional significance of the change, Samoan Ministers, with their traditional respect for status, were inhibited in the expression of their views in the presence of the High Commissioner and the *Fautua*. The move to Cabinet Government when it came in October 1959 had the desired effect. Ministers developed greater initiative and there was a more ready exchange of views. This change in outlook manifested itself in the Working Committee. In the early stages, the views of Tamasese, who usually presided over the Committee, tended to dominate the proceedings; but, as Ministers and other members of the Committee gained confidence, there developed a freedom in the expression of opinion and a readiness to accept changes calculated to be of benefit to the new Samoan state which augured well for the future. Most significantly, decisions were taken on issues, including some of vital importance for economic development, which involved adaptations of Samoan custom and tradition. The Samoan leaders, now that the responsibility was theirs, were prepared to make these adaptations even where they had previously resisted pressure from the administering authority or from United Nations visiting missions. Some of the decisions involved could not be reconciled with the views of Tamasese, and the *Fautua* displayed his maturity and sense of responsibility by accepting those decisions. They had no firmer defender than Tamasese when they were discussed in the Constitutional Convention.

When the issue of accelerating the establishment of cabinet government was under consideration, the *Fautua* were at first understandably reluctant to withdraw from the position of responsibility which they had enjoyed. A compromise procedure was therefore worked out under which, on the establishment of cabinet government, the Executive Council would continue to exist with its old composition. That is, it would include the members of the Cabinet along with the members of the Council of State. All decisions of the Cabinet were to be made known to the Council of State. Should any member of the Council of State wish a particular decision to be discussed in his presence, a full meeting of the Executive Council would be held for that purpose. If a particular decision was then disapproved by two members of the Council of State it would be referred back to the Cabinet for reconsideration. If the Cabinet then adhered to its decision the decision would be final. This procedure was designed to ensure that the *Fautua* should have an opportunity to consider cabinet decisions and, if they disagreed with those decisions, to express their views in the presence of the members of the Cabinet. However, the final decision of Cabinet was to be taken in the absence of the *Fautua*, thus ensuring that traditional respect for the office of *Fautua* did not play a dominant part in reconsideration of the Cabinet's decision. This procedure was open to the criticism that it was unwieldy and could lead to delay in implementing cabinet decisions. Nevertheless, it has worked remarkably well. The *Fautua* exercised their powers with a real sense of the responsibilities of their constitutional position and by meeting regularly,



within a short time after cabinet meetings, they were able to ensure that there was no delay in implementing decisions. There have been a number of occasions when the Council of State, which of course includes the High Commissioner as well as the *Fautua*, has been able to influence hasty government decisions.

This procedure for review by the Executive Council was originally designed as a method of easing the departure of the *Fautua* from an active part in policy-making, and it was not contemplated by the New Zealand Government that it would operate when Samoa adopted its own Constitution. However, the Working Committee was satisfied with the way in which the Cabinet system was operating and the arrangements for review, with some procedural improvements suggested by experience, have been taken over into the new Constitution. However, the arrangements are likely to fulfil a different purpose from that originally contemplated. It soon became apparent that the danger was not that the *Fautua* would exercise too much influence over the decisions of Cabinet, but that they would not be kept closely enough in touch with what the Government was thinking. The Prime Minister, for a variety of reasons, has not made opportunities for personal discussions with the Council of State on current policy issues and thus has not conformed to the conventional relationship between Prime Minister and constitutional monarch, particularly as it obtains in the United Kingdom. Thus the procedure for review by the Council of State or, under the new Constitution, by the Head of State provides a formal and, it may be, a necessary method of ensuring that that Head of State can perform the accepted role of the constitutional monarch—that of advising and warning.

This procedure has been discussed at some length, both because it is one of the more unusual features of the Samoan Constitution, and because it illustrates the difficulties that are faced in drafting a constitution which seeks to give written form to the system of parliamentary government with its many, often ill-defined, conventions. It proved quite impossible to translate into written form the nuances and subtleties of the relationship between government and Head of State on one hand, and government and legislature on the other. It follows that, although the Constitution of Western Samoa may appear to follow lines which are familiar to the British constitutional lawyer, it is difficult to forecast how it will work in practice.

The absence of an established party system in Samoa is another factor which may prejudice the operation of the conventional parliamentary system. Under the Samoa Amendment Act 1959, the New Zealand Act which established cabinet government, the Council of State was to appoint as Prime Minister "a member of the Legislative Assembly who commands the confidence of the majority of the members of that Assembly". It was expected that this requirement would involve an election by the Legislative Assembly, and at a second ballot the Hon. Fiamē Mata'afa Faumuina Mulinu'u II (formerly Minister of Agriculture) was selected and he was then appointed the first Prime Minister of Western Samoa. He was reappointed Prime Minister by a similar procedure after the election held in February 1961. Fiamē is a young man—in his thirties—with relatively little political ex-

perience, but a significant feature of his appointment is that he is a person of high title. As holder of the title Mata'afa he is one of the four *Tama-a-Aiga* or "Royal Sons" of whom the other three are the Hons. Tupua Tamasese and Malietoa and Tuimaleali'ifano. Fiamē had shown some political skill as Minister of Agriculture, and, in the face of a decision by Tamasese not to step down into the political arena and of Samoan preference for a person of full Samoan blood, there was no obvious alternative candidate. Nevertheless, the Prime Minister can largely attribute his rapid political advancement to his status as one of the *Tama-a-Aiga*.

The Constitutional Convention of 1954 had decided that the "present Hon. Fautua should together be the first Head of State", but had left undecided the crucial question of how their successors were to be appointed. The Working Committee loyally accepted the decision of the 1954 Convention and went on to agree that in the event of the death of one of the *Fautua* the other should continue to hold office alone until his death. The question of a successor or successors revolved around the claims of the four *Tama-a-Aiga*, who, of course, included the Prime Minister. During protracted discussions different formulae were canvassed—that all four should be appointed, that two should be selected to act jointly and that there should be a system of rotation. It was eventually decided that on the death of the survivor of the two *Fautua* the Legislative Assembly should elect a single Head of State to hold office for five years. There was discussion as to whether the election should be from among the *Tama-a-Aiga*. It was clearly the prevailing view that it should be, but the Committee recognized the possibility of a change of view on this point by omitting this requirement from the Constitution. The Constitution provides a detailed procedure for the election of the Head of State and requires that a candidate for election shall possess such qualifications as the Legislative Assembly may determine by resolution. The Working Committee—and later the Constitutional Convention—recommended that the Legislative Assembly should pass a resolution restricting eligibility for election to the office of Head of State to the *Tama-a-Aiga*.

Related problems arose in connexion with the appointment of a deputy or deputies to act for the Head of State in the event of his absence or incapacity. This issue became involved with the position of the *Tama-a-Aiga* and their eligibility to enter political life by seeking election to the Legislative Assembly. There was strong support for the view that the *Tama-a-Aiga* should not participate in politics and that, since eventually only one of them would be Head of State, they should be given status and an assured income by their appointment as Deputies to the Head of State. Once again, a compromise was reached. Under the Constitution, the Legislative Assembly can elect a Council of Deputies of not more than three persons from amongst persons "qualified to be elected as Head of State". A member of the Council of Deputies cannot be elected as a Member of Parliament, but he is entitled to resign his office. These provisions have the effect of enabling one of the *Tama-a-Aiga* either to retain his eligibility to enter Parliament by not offering himself for election as a member of the Council of Deputies, or to establish his eligibility by resigning from the Council.

These problems concerning the Head of State vividly illustrate the extent to which the Constitution reflects the pressure of Samoan custom and tradition. On the question of the participation of the *Tama-a-Aiga* in parliamentary life the Working Committee—and the Constitutional Convention—had a difficult choice to make. If the *Tama-a-Aiga* were prevented from entering politics and only one of them was eligible for appointment as Head of State, the possibility was that a strong and ambitious *Tama-a-Aiga* would conduct his political activity outside the framework of Head of State, Cabinet and Legislature and become the leader of a dissentient faction. History suggests that it is the potential rivalries of the royal lines which is most likely to disrupt the operation of constitutional government in Samoa. On the other hand, if the *Tama-a-Aiga* were permitted to enter Parliament, Samoan respect for status could mean the automatic appointment of a perhaps unsuitable person of high title to a position of responsibility in the government. The final decision was undoubtedly dictated by the fact that one of the *Tama-a-Aiga* is, indeed, Prime Minister.

The country is fortunate that at this stage of its development there is available for the post of Prime Minister a person with the status and ability of Fiame. He demonstrated in his selection of his first Cabinet that he is acutely aware of the importance of national unity, and he has shown that he has the maturity of judgment and is rapidly acquiring the experience to enable him to be an effective leader of government as his country approaches and enters independence.

In the absence of a party system, stable government will depend on the extent to which the Prime Minister and his Cabinet can retain the confidence of the members of the Legislative Assembly. The Samoans have not readily appreciated that the Government must be able to depend on majority support in the Assembly, and it remains to be seen whether the Prime Minister will be prepared to precipitate a dissolution should he be defeated on a major policy issue. There is little indication that groups are emerging which will eventually coalesce into formal parties. However, there is some prospect that two broad approaches will emerge amongst the members: one, comprising the more adventurous of the older *matai*, the younger and better educated *matai* and part-Europeans who have taken Samoan status, which accepts that in the face of a rapidly rising population, and a growth of demand for European standards of living, modifications of traditional Samoan practices are essential; the other, which resists change in the name of Samoan custom and tradition.

#### "Domestic Status"

THE 6,000 or so inhabitants of Western Samoa who hold the legal status of "Europeans" largely consist of persons of mixed Samoan and European blood. There are relatively few full Europeans. These "Europeans", many of whom live according to Western standards in the Apia area, have naturally been concerned about their position in a new Samoan state in which political power would be held by the indigenous Samoans. They have, in particular, sought—and obtained—assurances that their rights to freehold

land and other property would continue to be respected. These assurances and other provisions, which will incidentally protect persons of European descent, have been incorporated in the Fundamental Rights section of the Constitution.

Much attention has been devoted to the problem of abolishing the two classes of domestic status "Samoan" and "European". No person who had less than one-half Polynesian blood could be a Samoan although a person more than one-half Polynesian might become a "European". Successful attempts had been made to eliminate provisions in the law under which Samoans and "Europeans" were treated differently, but there remained two matters in which the distinction was vital—the franchise and the acquisition of the *pule* over Samoan land.

At this stage it must be explained that in the Samoan electorate only *matai* are eligible to vote. Although there is probably a growing body of support for a system of universal suffrage, the Samoan leaders have successfully insisted that retention of *matai* suffrage was in accordance with Samoan tradition and not incompatible with democratic processes. The Special Visiting Mission of 1959 did, however, obtain the agreement of the Samoans to the holding of the recent plebiscite on the basis of universal adult suffrage. Although provisions relating to *matai* suffrage have not actually been written into the Constitution, the affirmative vote at the plebiscite can be interpreted as support for *matai* suffrage. Nevertheless, some observers of the plebiscite have expressed the view that popular pressure in favour of a wider franchise will increase. In contrast to the Samoan constituencies, the "European" members of the Assembly have been elected on a "European" roll based on universal suffrage.

The Trusteeship Council and successive visiting missions have been more concerned with the issue of domestic status than with the question of *matai* suffrage. Sharing the United Nations concern with issues of racial discrimination, the missions have brought pressure on the Samoans to remove distinctions between "Europeans" and Samoans. The 1959 Special Mission suggested the establishment of a non-*matai* roll on which all persons, whatever their racial origin, living outside the scope of the *matai* system and enjoying its privileges or carrying out its obligations might register. So far as land was concerned, the Mission proposed that domestic status should be abolished and that claims to titles and to the control of Samoan land should be determined according to Samoan tradition irrespective of the racial composition of the claimant. On examination, these two approaches do not appear to be altogether compatible. Under one approach, encouragement would be given to Samoans to move away from the *matai* system and to acquire an electoral status corresponding to that at present held by "Europeans". Under the other, the encouragement would be for persons with predominantly European blood to accept titles and bring themselves within the orbit of the *matai* system.

The Working Committee addressed themselves to these problems—on which little progress had previously been made—with courage and imagination. They eventually recommended that legislation should be introduced



enabling any person who was of Samoan descent, or who was married to such a person, to acquire a title or the *pule* to Samoan land in accordance with the rules laid down by Samoan custom and tradition. (It was recognized that a full European would not qualify unless by marriage.) Having made this bold and far-reaching decision, members of the Committee were more logical than the Visiting Mission and proposed that the "Europeans" should give up their universal franchise voting privilege and rely on the opportunity which would now be given to them to qualify as *matai*. This would not, however, have been a just result, because many of the "Europeans" would not choose or have the opportunity to acquire *matai* titles. Once again, a compromise formula was worked out. An "individual voters' " roll is to be established. Persons already on the "European" roll will be entitled to register on this new roll, but there will be limitations on the number of new names that can appear on the roll. Also, an elaborate procedure has been included in the Constitution under which the number of candidates entitled to election on the "individual voters' " roll is related to the number of persons on that roll.

These decisions can be regarded as the most far-reaching of those made by the Working Committee and later confirmed by the Constitutional Convention. The decisions show that the Samoans appreciate the need for national unity and that this involves the full support of the "Europeans". Realism has been shown by the attempt to reach a reconciliation within the framework of the *matai* system, rather than by creating a larger group of persons who have broken with Samoan custom and tradition. It can be expected that there will be many changes in Samoan custom and tradition—and even that universal suffrage will eventually be recognized—but it is preferable that these changes should be made gradually to the existing system rather than that they should appear as a disruptive influence seeking to break down the *matai* system from outside.

#### Western Samoa's International Status

THE constitutional development of Western Samoa can be said to have followed, with local adaptation, much the same lines as those which have come to be regarded as conventional in British territories. There is, however, one respect in which Samoa's position is unique—it is quite the smallest territory in terms of population to have laid a claim to independent statehood. Indeed, Western Samoa might readily have been included amongst any list of those "non-viable" territories whose future status has been of concern to the United Kingdom Government. It follows that the decisions taken about Samoa's international identity may have important implications for other territories.

From the beginning of Samoa's development towards self-government, there has been little doubt that Samoa would expect to maintain a special relationship with New Zealand; but there have been different views as to the form that relationship should take. At the 1954 Constitutional Convention the Samoans themselves suggested that the relationship should be based on an alliance or agreement "somewhat similar to the arrangement at present existing between the United Kingdom and the Kingdom of Tonga, but it is

recognized that the Trust status of the Territory may make special provisions necessary". It later became evident that the status of Tonga, which is little different from that of the now old-fashioned protectorate, was not a suitable model to adopt. It was not compatible with Samoan aspirations; nor was it likely to commend itself to the United Nations as an acceptable status for a territory seeking "release" from the trusteeship system. The Prime Minister of New Zealand therefore took the opportunity of advising the 1959 Visiting Mission that New Zealand's offer of independence to the Samoan people was unqualified. He said that all dealings between New Zealand and Western Samoa would be conducted on the basis of equality consistent with Western Samoa's becoming an independent State at the end of 1961. A New Zealand spokesman in the Trusteeship Committee of the General Assembly has described the issues involved:

In the last few years there has been a continuous evolution of New Zealand and Western Samoan thinking and a conscious seeking after a new relationship between the two countries which, recognizing the strong desire of the Western Samoans to move ahead from the subordinate status of trusteeship, would also enable this territory to meet the constantly expressed wish of its people to maintain a friendly relationship with New Zealand and to continue looking to New Zealand for help in many fields of administration in the early years of independence. This community is small now, but it will surely develop, and we have sought for a relationship which would allow for, and encourage, growth and the liberation of all the talents possessed by this remarkable people. In this problem of finding a satisfactory alternative to trusteeship for such a small, isolated and not wealthy community, there are no relevant precedents to guide us. We have been conscious of venturing into unexplored fields.

Our approach to the future status of Western Samoa has also been conditioned by our observation that in this rapidly changing world many of the old criteria for independence seem no longer to be applied with such rigidity. Judgments about the size, population, and economic resources necessary before a country may establish itself as an independent unit are being modified: geographical location and other factors peculiar to each territory must be taken into consideration. It seemed clear that this small and isolated Pacific territory of Western Samoa was by the now accepted standards sufficiently able to meet its own needs (with continued assistance from its friends) to embark on a new course as an independent country.

The New Zealand Government have felt that it was not appropriate to conclude, or even negotiate, any formal relationship treaty or agreement until Samoa had actually achieved independence. The Samoan Government have, however, conceded that they will need some assistance in the conduct of their international relations; and the New Zealand Government, while recognizing that Samoa might wish to go elsewhere, have offered to provide help in the practical conduct of those relations. New Zealand has emphasized that Western Samoa would assume and retain the authority for formulating its external as well as its internal policies; and that any arrangement might be terminated by Samoa at any time.

The Samoan Prime Minister, in his statement to the Trusteeship Committee, has enlarged on the New Zealand statement. He said that it was

envisaged that Samoa would conduct for itself its more important trade negotiations, and that it would seek membership in certain international organizations and send its own delegates to their meetings. It would not attempt to establish diplomatic or consular representation abroad, except perhaps on a very limited scale, and it would hope either to be represented or to have its interests watched in many international bodies by New Zealand. Fiaame went on to point out that, as Samoa's financial strength and trained personnel increased, it would be possible and natural for the Samoan Government to look after an increasingly wide range of external matters for itself.

There have been inconclusive discussions on one aspect of Samoa's international status which has already been considered in the *ROUND TABLE*—that of her membership of the United Nations.\* Apart from existing uncertainty as to what status a small territory like Samoa should have within the Commonwealth family, there are conflicting views within Samoa itself as to whether the new State should seek membership of the Commonwealth. These are matters for discussion and, perhaps, decision after January 1, 1962, but New Zealand proposes, in the legislation under which she will formally relinquish legal authority over Western Samoa, to continue to afford the new State and its inhabitants Commonwealth treatment. The hope is that other Commonwealth countries will do the same. It may be that an interim arrangement of this kind will, having regard to Samoa's ambivalent attitude towards Commonwealth membership, acquire some permanency. In this way the more difficult issues involved in Samoa's formal membership of the Commonwealth may be passed by.

### The Future

THIS article has concentrated on the constitutional aspects of Samoan development. There is much more to be said about the problems which Samoa, as a country dependent on a limited range of agricultural exports, will face in maintaining existing standards for her rapidly rising population. There is, too, the problem of educating the Samoan people for their new responsibilities, and in particular of training Samoan public servants to replace the many New Zealand seconded staff. In spite of resistance that has been experienced in Samoa itself, it can be said that New Zealand's record in stimulating economic development and in providing educational opportunities for Samoa is not one of which she can feel particularly proud. More recently, however, she has demonstrated a greater awareness of her responsibilities. An undertaking has been given that practical arrangements covering the supply of experts, educational and medical assistance, training provisions for Samoan public servants, and various other existing forms of New Zealand help will be worked out to ensure that they continue to work smoothly in the post-independence period. And it has been emphasized that the provision of help on a substantial and continuing basis—if it is sought—will be in a manner fully consistent with Western Samoa's independence.

Present indications are that the government of the new Independent State of Western Samoa will adopt realistic policies. The attitude of the Prime

\* See *THE ROUND TABLE*, no. 200, Sept. 1960, p. 363.

Minister, the Hon. Fiame Mata'afa, to future commitments in the field of international affairs suggests that the Samoans will carefully weigh the benefits of any policy against its cost. This relative indifference to some of the accepted symbols of independent statehood, and the absence of the nationalistic fervour associated with other emergent states, can be attributed to the willingness of New Zealand governments to keep pace with—and even ahead of—Samoan aspirations for the full control of their own affairs. As Fiame himself told the Fourth Committee of the General Assembly:

Ours should be one of the smoothest of transitions from trusteeship to independence. Helped by our gradual assumption of political responsibility over the past fourteen years, and by our friendly co-operation with New Zealand, we should experience little strain or difficulty when the moment for independence comes. For that reason I would suggest that you should not look for any very spectacular or revolutionary change in our way of doing things when we become independent. Such revolutionary changes have been made unnecessary both by the strength of our tradition and the good fortune of our circumstances. I would suggest, instead, that you should be satisfied that, rooted in tradition and responding to the invigorating influences of the modern world, the Independent State of Western Samoa will grow and flourish to become an ornament—if only a minor one—to the world community.

New Zealand  
August 1961



# SPAIN AND WESTERN DEFENCE

## THE CASE FOR RECONCILIATION

ON June 15 this year the Spanish Foreign Ministry published the text of an interview given by the Head of the Spanish State to the American journalist William Randolph Hurst Jr. In this General Franco declared, "Spain does not need NATO, and has never tried to become a member." This statement contradicts the impressions of diplomatic correspondents over the years.

On July 9 General Norstad, Supreme Allied Commander, Europe, answering the United States House of Representatives Foreign Affairs Committee, said that Spain's admission to NATO would be "a sound and reasonable step". But, he added, there was no overriding urgency at the moment to include Spain in NATO, since several members had deep-rooted objections to such inclusion.

General Franco's and General Norstad's declarations make a reversal of the situation in 1946, when Spain was anxious to have a voice in international affairs and the Western powers joined with others in voting in the United Nations the recommendation that members should sever relations with Spain. The victors of the European War had considered that the collapse of Hitler and Mussolini would be rapidly followed by the overthrow of General Franco, whose success in the Civil War East and West attributed to the help openly extended to him by Fascist Italy and Nazi Germany. The United Nations' action, the Eastern Powers hoped, would give the forces opposing General Franco in Spain the measure of moral support they required to rise against him. The Western Powers believed that by isolating Spain they would bring about "a peaceful withdrawal of Franco, the abolition of the Falange, and the establishment of an interim or caretaker government", under which the Spanish people might have an opportunity freely to determine the type of government they wished, and to choose their leader. With this same object Spain was excluded from the Marshall Plan. Nothing was to be done by an outside power which could be judged to be of help to a man they condemned as abhorrent to the majority of the Spanish people. Spaniards who in the latter part of the European war had fought with the *maquis* in France crossed the Pyrenees and harassed the Spanish army and the Civil Guard. Operations against them were to continue for several years. Their inroads were daring. On more than one occasion they penetrated the city of Barcelona. But the rising of the people against the régime did not take place then, nor on any of the many subsequent occasions when in foreign press and Parliament commentators spoke of the impending fall of the régime.

Fifteen years have passed since the ostracism of Spain by the United Nations. There has been no revolt, nor has General Franco withdrawn from public life, abolished the Falange, or permitted the establishment of a

caretaker government under which the Spanish people might have elected the government of their wishes.

The hostility of the United Nations produced an effect totally contrary to that expected. Within Spain those who supported General Franco, then as before divided among themselves, rallied round him in their own interests. The régime had been given a propaganda weapon. The United Nations resolution was presented to the mass of the people as an attack on Spanish sovereignty, and the defence of Spain became a slogan to bolster the régime.

The United States was the first to reconsider the position. In September 1950, three months after the outbreak of the Korean War, she authorized a £22 million private loan to Spain. In November 1950 the United Nations revoked the resolution of 1946. Spanish diplomacy had won several countries of Latin America to her side. In May 1951 the United States Chiefs of Staff recommended the inclusion of Spain in NATO. In the face of strong opposition from other members, especially Great Britain and France, the United States retreated but, convinced of the strategic importance of Spain to Western defence, began negotiations with the Spanish Government which ended on September 26, 1953, with the signing of the Madrid Pact. Under this Pact arrangements were made for the building of U.S. Air Force and Naval Bases on Spanish soil, for the granting of economic aid to Spain, and for mutual defence assistance in case of war, that is, in effect, for the modernization of the Spanish armed forces with American help.

The signing of this agreement was more than the return of Spain to the Western world. It meant the end of the policy of neutrality dating from the Cuban War of 1898 in which the United States had defeated her, a policy which had kept her out of the two World Wars. But she was still politically outside the European pale.

In her period of isolation she had seen herself as destined to be the bridge between Western Europe and the Arab world. The heads of Arab states had been invited to Spain. The Spanish Foreign Minister had toured the Middle East and Africa. Much had been made in Spanish ministerial speeches of Spain's historical links with Muslim thought and religion, much more than was historically accurate or could be accepted within Spain itself. But Spain was never accepted as that bridge by either side, and her pro-Arab policy was given the rudest of shocks when Arab States began reclaiming not only territory she held as a protectorate but also regions of Africa which she considers to be hers by right. In her isolation also, Spain embarked in 1947 upon an economic policy designed to show the world that she could go it alone, a project fully in accordance with the motto which the régime had accepted for its own from the days of Isabel and Ferdinand. So that Spain should become *una, grande y libre*, a unified, great and free nation, the Spanish Government undertook a huge programme of industrialization, and coupled an economic nationalism with an intense xenophobic propaganda campaign. In consequence she lost her export markets without reducing her import needs.

The granting of economic aid under the U.S.-Spanish agreement enabled her to carry on with this policy for a further six years, so that in the economic field her military alliance with one Western nation separated her farther from

Western economic theory and practice. But, under pressure principally from her ally but also from within, she was forced to change this policy, and in doing so made herself eligible for admission into OEEC. She was accepted as a full member in July 1959. Following this admission she ceased to be the outcast she had been for twenty years. In August and September 1959 the Spanish Foreign Minister, in a hurried visit to London and Paris, was seen by President Eisenhower, Mr. Macmillan and General de Gaulle. In 1960 the same Foreign Minister paid an official visit to London, a visit returned this year by the British Foreign Minister. General Eisenhower included Spain in his 1959 tour of European and Asian countries. He gave General Franco "a review of . . . the Western Summit Conference".

### Military Resources

THESE and other ministerial visits have on each occasion given rise to speculation as to whether Spain was seeking admittance into NATO. Since the original 1951 suggestion Portugal, Greece and Turkey have been admitted. As each year has passed, fewer countries have appeared to object to her inclusion, but no country has officially sponsored it. The situation today would seem to be that Spain is now not ready to seek admission, or to press for her admission so openly as she seemed to be doing two years ago; that the U.S. military authorities still believe her inclusion to be desirable; that Great Britain, among other countries, would not now oppose her entry if suggested by other members, but that Belgium and Norway would oppose it. The U.S.-Spanish agreement is Spain's link with the defence of the West.

The Pact of Madrid did not specify the number or position of the bases, but in fact four major ones have been built. Three are air bases, one near Saragossa in the north, one near Madrid and one near Seville in the south. The fourth is a combined naval and air base near Cadiz. There is an oil pipeline joining the four bases. In addition there are two airfields, one near Seville and one near Barcelona.

At the time of the agreement the Spanish army was organized into eighteen divisions in pattern basically similar to the German infantry divisions of 1938, but poorly armed and more suited to the maintenance of internal order than to operations against a modern force with its concept of fire-power as opposed to manpower. In 1958 General Barroso, the Spanish Minister of War, visited Washington with a plan to reform and modify the Spanish army, a measure for which American aid would be required. For under the mutual defence assistance programme of the Madrid Pact some re-equipment of the armed services had been effected, and some 5,000 Spaniards had received training in the United States, but the Spanish army could not count on a single division which could be considered capable of modern warfare. General Barroso's plan is said to have envisaged the reduction of the army from eighteen to twelve divisions, seven of these basically as before but re-armed with more modern weapons, three infantry of the type common in the American army at the end of the Second World War, and two "pentatomic", that is five-unit divisions armed with tactical nuclear weapons. He proposed a large increase in the pay of both officers and other

ranks, to enable them to become professional soldiers, and not, as so often happens now, part-time soldiers who have to have a second civilian occupation to make ends meet. Nothing much appears to have come of the plan so far. The loss of Morocco, sacred to the Spanish army, had just previously created unrest. Reform implying reduction would not have been popular. This plan would in fact have put a third of the army entirely in the civilian labour market at a time when unemployment was increasing.

It is against this background that the questions should be considered, how far is Spain necessary to Western Defence, how far is the West necessary to Spain and should Spain be a member of NATO. Those who advocate the inclusion of Spain in NATO argue in her favour her strategic position, her considerable military potential, her Christianity and consequent firmness of her anti-Communism.

Of her strategic importance there can be no doubt. As General Norstad declared to the Foreign Affairs Committee of July 9, Spain is a substantial area in the midst of the Atlantic Community. An azimuthal equidistant projection map centred on Madrid shows its strategic importance to be even greater than we might suppose from looking at one on Mercator's. Her population of some thirty millions is higher than that of most members of NATO. Her new steel works at Avilés and her arms factories, which are already making rifles for the West German Army, could be developed very considerably. Spanish workmanship is of a very high order, even when not given the tools.

There can be no doubt of the heroic bravery of the Spaniard. This was proved on both sides of the Civil War. Their resistance in abominable conditions of warfare was amply demonstrated by the Blue Division in Russia and more recently by the Spanish troops in Ifni. In Ifni they were fighting against Moroccan irregulars as ill-equipped as themselves; but in Russia the Blue Division suffered very heavy casualties. The conduct of the military operations of the Civil War on both sides does not suggest particularly able leadership. The odds against the Spaniards in Cuba and the Philippines in 1898 were too great to prove more than the heroism of Spanish troops. But the subsequent Moroccan adventures were disastrous and here the odds should have been on the Spanish side. Outside these two episodes Spain has taken no part in international military operations since the Napoleonic Wars, for the wars of independence in Latin America were as much civil wars as those in the Peninsula between the Carlists and the Liberals or that which took place from 1936 to 1939. To modernize the Spanish army it would be necessary in fact to start completely afresh. This is something which could not be done in any hurry. It could not be done in a state of war.

#### Mythology of the Civil War

THE remainder of the argument in favour of Spain's inclusion is open to dispute. The myth has developed that the revolt of July 18, 1936, was one against Communism. This is as false historically as the anti-myth that the Spanish Republic was a democracy. As in all myths, there is an element



of truth in both. The Republican Government in power at the outbreak of the Civil War had been elected after a fashion, but the Republic was rapidly and patently disintegrating in July 1936, and what little democracy had been brought into existence in 1931 was already struggling in the throttlehold of the Anarchists and Marxist-Socialists determined with no less fervour than the army generals to destroy it. The Spanish Communist Party had every intention of converting Spain into a Communist State within five or ten years, but there was no possibility of their reaching their goal in 1936. The most powerful single political body in Spain was one which could never be called a party, and which generally refused to take part in any elections, since to have organized or to have taken part in elections would have been to deny its most fundamental tenet, that all authority, all government, is intrinsically evil. These were the Anarchists, who at the time of Alfonso XIII's abdication numbered 600,000 active members and by 1936 at least one million Spaniards. There were also close on a million Marxist-Socialists. In comparison the Communist Party was a very small group. Nevertheless, the ignorance, obtuseness, unsuspecting good faith or connivance of the middle-class Republicans in government proved no match for the Socialists and Anarchists once the Civil War had started, and neither did the Socialists nor the Anarchists prove a match for the Communists. Under the cover of the Civil War against the Nationalists, the Communists were able to conduct a second Civil War in which they defeated the Anarchists and won over the Socialists to their side. The final victory, then, can be said to be a victory against Communism, but not the beginning of the war. Neither was it the Christian crusade that it is now said to have been; for the most Catholic part of Spain, the Basque Provinces, fought against General Franco, and its priests suffered political imprisonment long after the war was over. Furthermore, the original manifesto of the Falange's founder José Antonio Primo de Rivera was not only totally unchristian implicitly but in one article explicitly anticlerical. Yet there is this measure of truth in the assertion that the Civil War was a crusade, that it was not only the Communists but also the Socialists and Anarchists and the more truly Spanish Liberals who were determined to destroy the Church and all religion in Spain, even if for purely practical foreign propaganda purposes they allowed Protestants a greater freedom than they had ever had.

It is impossible to say how far Marxism or Anarchism is still a force in Spain. It is probable that Anarchism is spent. On the other hand it is probable that the Communist Party is now stronger than at any time since 1936. It has been the policy of the Government to attribute every disturbance during the last twenty-two years to Communism, even when this was patently not so to the outsider who had more facts at his command than the Spaniard, bereft of accurate information about events in his own country. In consequence, those who for various reasons, not necessarily political, oppose the régime have been given the impression that the only hope of a change in Spain is offered by the Communist Party. This régime has fostered the rifts between Spaniards. Spain is a divided country. Those in power are anti-Communist. This anti-Communism is shared by that half of Spain which is

still Catholic and Christian. Part of this half supports the régime wholeheartedly; a part tolerates it because it is not actively anti-Christian and fears a change might renew persecution of religion; a part cannot reconcile it with Christian dogma and specifically with the Papal Encyclicals on Social Doctrine, and seeks its overthrow. The other half has no deep-rooted objection to Communism. Some would echo General Franco's praise of the Soviet system's "political unity, authority and discipline" when the first sputnik was launched and again when the first cosmonaut circled the earth. Others hate Christianity and would work with any who would destroy it. Some are so convinced of the superiority of totalitarianism that they would slide from Falange to Communism as easily as they once did the other way round. Others are true Communists. The assertion therefore that Spain is anti-Communist and Christian needs some qualification.

Those who oppose Spain's entry into NATO recall that NATO, according to the treaty, is an organization of States "determined to safeguard the freedom, common heritage and civilization of their peoples, founded on the principles of democracy, individual liberty and the rule of law". It might well be asked how far there is a common heritage between Turkey and Britain; how far the Portuguese Government is founded on the principles of democracy, or whether individual liberty particularly in relation to religion was as perfect as it might have been in Norway when she became part of NATO; yet Turkey and Portugal are members of NATO and Norway is one of Spain's strongest critics.

In Britain much is made of the absence of democracy and individual liberty in Spain. The worker has no freedom to strike. The writer has no freedom to print without the *imprimatur* of the State censor. Officially criticism of any personality or established institution, State dogma, national, internal or foreign policy and Church dogma viewed as a function of the State, is taboo. There is a parliament, but its members are not elected as in a democracy, nor may they criticize government policy. There are trade unions, but although they may and do obtain better working conditions for their members from private employers they are subject to State control. There is no political organization allowed other than the somewhat amorphous body called the Falange. There is, in brief, no liberal democracy.

Liberal democracy, however, is no self-evident truth to the Spaniard. His experience might well make him anti-democratic. The early kings of Spain ruled "subject to the will of the people", and so long as they respected this will and the ancient common law of the land they remained in power. This concept prevailed until the time of Ferdinand and Isabella, but even the absolutism of the Hapsburg had its checks. It was under the Bourbons that Spain was introduced to absolute monarchy, but under the Bourbons Spain became culturally and spiritually a province of France, the France of Voltaire, Reynard and Montesquieu, and nowhere did they find firmer disciples than in Spain. Spain did not suffer a revolution, as was expected, when the French Revolution took place, but from 1808 onwards she did have what might loosely be called a liberal democracy. In the hundred years preceding the out-

break of the Civil War Spain had three kings dethroned, two regents exiled, four attempts to assassinate the sovereign, two republics, two dictatorships, three civil wars, four prime ministers assassinated, twenty major army revolts, and, in brief, a change of government on an average every eleven months. General Franco's twenty-two years of complete power are in marked contrast to this history.

If Portugal may be a member of NATO, why not Spain? The short answer, that it is because Spain is not a democracy, should have been applied to Portugal and to Turkey, yet Turkey's admission caused no noticeable urges of conscience in the House of Commons. Britain has also courted President Tito of Yugoslavia, who can hardly be said to uphold the principles of democracy or individual liberty or to be determined to safeguard the freedom, common heritage and civilization of the West. An analysis of the emotionalism which pervades the House whenever Spain is mentioned suggests that what incites anger against Spain is not the fact that General Franco is a dictator, but that some Britons have a guilt complex about the Civil War. There are those who firmly believe that General Franco would not have won but for the help given him by Hitler and Mussolini; there are some who feel that had Britain gone to the help of the Spanish Republic, somehow the Second World War might have been avoided. But such views are factually wrong on two points. The timetable of the foreign help given to both sides suggests that Hitler was indifferent to Franco's fate and that Moscow was no true friend of the Spanish Republic. Spain was for both sides a testing-ground for weapons.

Within a few days of the outbreak of the revolt, a military deadlock had been reached between the Nationalists and the Republicans. Had there been no foreign help, either the insurgents and the Government would have come to terms, as had happened so many times in the nineteenth century, but this time probably more quickly since the Republican government could not remain inactive in the face of the establishment of Anarchism in some and of Marxist-Socialism in other parts of Spain, or alternatively the deadlock would have ended with a victory for the rebellious generals when Socialists, Anarchists and Communists had finished killing each other. Either way the Rebels could not have lost. They had the best troops in the Regular Army, and the *Requetes*, irregulars notorious for their determination and heroism in battle. As it was, Franco asked for and got aircraft from Italy to fly the Spanish army from Africa to Seville. When his army began the advance on Madrid, France provided aircraft to bomb his columns and Russia sent equipment for the international brigades. When a second deadlock had been reached outside Madrid, and negotiation might have been possible, Germany and Italy provided men and equipment. Russia and Germany thereafter provided further help when one or other side was losing, and when Franco's victory was in sight Germany began supplying the Republicans with weapons. The foreign help given just about cancelled out. Whether it did or not, within six months of the outbreak the Republic had lost control of its own forces. It was a government in name only. The defeat of Franco at any time thereafter would have led to the establishment of a Communist régime, and not

to the maintenance of a democracy in Spain. A Communist government in Spain would have subscribed to the Soviet-German pre-war agreement.

### Strategy and Beyond

THE one sound argument, therefore, is that advocating the inclusion of Spain in NATO on military grounds. The rest, for and against, have imperfect logical or factual bases. But granting the premise that democratic government is a right of the Spanish people and that a democratic Spain would be a better member of NATO than one which is not, consideration might well be given to whether one step to this end might not be the inclusion of Spain in NATO now. Spaniards visiting Western countries have been disabused of many of their prejudices against Europe and against democracy. There were few excursionists when Spain was isolated. They now number tens of thousands. Contact between the Spanish armed forces, both officers and other ranks, with those of the West might give them an insight into principles of Army-State relations fundamentally different from their own. Spain, as a member of OEEC and under the present incorruptible Ministers of Finance and Commerce, has set her economic house largely in order. The more Spain can be brought into the affairs of Western Europe, the greater the chance that she will come to belong to the West in more senses than the geographical.

Such possibilities may perhaps account for the Spanish Government's declared absence of interest in entering NATO.



# PRESIDENTIAL SHAKEDOWN CRUISE

## FIRST PHASE OF THE KENNEDY ADMINISTRATION

**P**RESIDENT KENNEDY's Administration, well past its first six months in office, has completed what might be termed in naval parlance its "shakedown cruise".

The ship of State dented its plates on a shoal marked Cuba, its propulsion machinery recovered early from an inherited recession, and on the horizon a dark cloud now is looming, already bigger than a man's hand, labelled "Berlin". So far President Kennedy has set none of his crew to walking the plank, and he now has a better estimate of the men he assembled for the four-year voyage. Meanwhile he has displayed to the world his much-awaited qualities of helmsmanship.

How then does this new Administration, captained by a one-time torpedo-boat hero, stack up; what are its style and its record of performance thus far?

In the realm of style and manner, the Kennedy régime is much more informal than was President Eisenhower's. There is no regularized chain of command, no chief of staff operating to screen and codify matters for the man in the White House. Intimates liken the Kennedy staff's table of operations to a wagon wheel, with the President at the hub, reaching out directly through swift spokes to each department and every official.

Mr. Kennedy has, of course, certain experts available for certain functions. Thus his longtime adviser and *alter ego* Theodore Sorenson, a perceptive youngish administrator from Nebraska, whose thinking processes and modes of expression closely approximate to the President's, is his chief speech-writer, his foremost adviser on the projection of the Kennedy "public image" and his counsellor on how best to alert national opinion on major issues, including Berlin.

Thus, too, he has installed General Maxwell Taylor, a former general of parachute troops and Army Chief of Staff and a strong believer in the value of conventional forces, as his White House adviser on military and intelligence matters. Thus, also, his "intellectual" team headed by Harvard dean McGeorge Bundy continues to function as idea-assembler and policy activator along the whole foreign affairs front, from Laos to Latin America.

The President's brother, Attorney General Robert Kennedy, of course functions as an intimate adviser and confidant on all problems from southern race riots to the future of the Dominican Republic.

On the side of domestic legislation, a group of tough-minded Massachusetts men, bound to the President by early battles in his Congressional contests, most of them Irish Catholic in background, handle the complex business of liaison with Congress and the political problems stemming from the fact that the President is also his party's political leader.

In contrast to the calm and general orderliness of the Eisenhower Administration, President Kennedy's régime could be termed pragmatic and disjointed. Critics have called it "disorderly". A vast array of ideas is constantly churning at high levels, and there has been apprehension that the foreign policy advisers within the White House would conflict with those in the State Department, and that General Taylor would bypass the traditional advisory rôle of the Joint Chiefs of Staff.

This has sometimes happened, although Mr. Kennedy, an adept handler of men, has minimized the chances for spontaneous combustion. However, one White House aide has insisted that "Creative government will always be 'out of channels' . . . Orderly governments are rarely creative; and creative governments are almost never orderly."

Yet since the fiasco of the Cuban landings President Kennedy has somewhat altered his technique of operations. In his first weeks of office he almost never summoned a full meeting of the Cabinet or the National Security Council—which latter is a kind of selected Cabinet dealing directly with global and defense policies. He preferred to meet with limited groups, task forces culled at will from the Cabinet or the National Security Council to handle specific issues. Since Cuba, however, the President has met occasionally with his Cabinet and frequently with the National Security Council. The air of superconfidence has vanished from the Administration—a healthy development—and the President is more skeptical of advice, and more self-critical than when he assumed office.

If one compares the basic policies of the Eisenhower and Kennedy Administrations, one must conclude from the start that Mr. Kennedy is more willing to spend money—though he does not relish big budget deficits—that he is more willing to plan and experiment—though he is trying to maintain cordial relations with the conservative-minded business community—and that he is more willing to innovate and intervene than was General Eisenhower.

### No Breathing Spell

THE new President is known to have believed that he would have six to nine months to put his policies in order, prepare foreign programs, test out his officials. Soviet Premier Nikita Khrushchev failed to provide this breathing spell. The Cuban revolutionaries became insistent for invasion sooner than expected. The situation in Laos deteriorated with unusual speed. The chief really favorable development in this early period was the upturn in the national economy which, beginning in April, came ahead of expectations.

In his very first weeks of office President Kennedy had to encounter such alarms as the mounting hostility of the Soviet-Chinese block, expressed in the Berlin issue; the gold drain, which a prompt and confident Administration attitude did much to stem; the insistent demands of new nations caught up in the revolution of rising expectations, and a persistent high unemployment at home.

White House officials say that these unexpectedly difficult problems, plus

the very narrow election mandate, have held President Kennedy to a more moderate course than might have been expected by those who listened to the high-octane rhetoric of the presidential campaign. Judging by the campaign speeches, one might have expected that the President would immediately seek to boost the country's economic growth by vigorous tax revision and government spending and to launch a New Frontiers program designed to make over the nation. Instead his domestic program is only slightly left of center, though containing more ambitious housing, education, medical care and distressed-areas objectives than President Eisenhower would have contemplated.

Apologists have said that Mr. Kennedy intends to proceed much more strongly along the liberal path—in education, civil rights, public power, urban renewal and the like—after the midterm Congressional elections of 1962—and certainly “after 1964”. This assumes, of course, that the Democrats are conspicuously victorious each time, which may or may not happen.

Here and there President Kennedy has pressed ahead with certain concepts that General Eisenhower, acting on the advice of his budget-minded Secretaries of the Treasury, did not think the nation could really afford. He has taken steps to boost the nation's conventional military forces. He is spending more on the space race.

It is in the field of foreign policy that the real innovations loom largest. President Kennedy and his Secretary of State, Dean Rusk, have made vigorous efforts to strengthen and to use the United Nations, for instance, particularly as an “executive” instrument for maintaining the peace in such spots as the Congo. Interestingly, the President and Prime Minister Jawaharlal Nehru of India have immediately seen eye to eye on support for the United Nations. Washington now has threatened to veto any Soviet effort to substitute a “troika” or three-man committee for the present United Nations Secretary General.

The President has strongly emphasized a revised and ambitious foreign aid program, in which most of the industrial nations of the free world will co-operate in aid consortia, in which long-term development loans will meet long-term needs, and in which recipient nations will be urged (or required) to pledge economic reforms and co-operative planning so as to secure the greatest benefit for the moneys expended. The President has launched a special “Alliance for Progress” in co-operation with Latin American republics, believing Latin America to be in early jeopardy of deep Communist penetration and hoping that a quick joint *démarche* there would have immediate impact.

As of this writing the President seems likely to receive from Congress the major share of the 4 billion\* dollar foreign aid budget he has requested, with permission to spend the money over several years.

### Allies and Neutrals

THE Administration has made significant new efforts to play up the weaknesses of Communist policies among the uncommitted nations. It is

\* In the American sense of 1,000 million.—*Editor*.

trying anew to show that the United States' own revolutionary tradition has kinship with the revolutions of freedom and nationalism visible everywhere in former colonial territories.

Secretary Rusk in a notable speech to Washington's National Press Club has sought to place the global confrontation in a more perceptive context, with these words:

The central issue of the crisis is the announced [Soviet] determination to impose a world of coercion upon those not already subjected to it. . . . At stake is the survival and growth of the world of free choice. . . . It is posed between the Sino-Soviet empire and all the rest, whether allied or neutral.

He has argued that Moscow's central objective is nothing less than a bold, power-clad assault upon the hopefully developing world community of independent and self-governing nations.

In kindred fields the Kennedy Administration has sought to rouse the West to its full capabilities, both military and economic. The western allies have been urged to increase their economic assistance to underprivileged nations and to strengthen their own conventional military forces, in NATO particularly. The United States is quietly urging that Britain take the plunge into the Common Market, thereby expanding the Market significantly. Washington is working directly with the new Organization for Economic Co-operation and Development in Paris, and expects through such instrumentalities to tie North America into common trade, aid and financial policies with free Europe. Washington talks frequently of the immense potential of the "Atlantic Community", with its 500,000,000 population, its vast array of skilled workers, its free institutions and its industrial power.

In the far realm of Space, the Kennedy régime has decided to begin spending perhaps 25 billion\* dollars, over the next ten years, in an effort aimed primarily at landing a manned expedition on the moon ahead of the Russians. The President here acted on the advice of his scientific counsellors that it was exceedingly perilous to allow the Soviets to gain a commanding lead in a scientific field of such magnitude. It was argued that one can never tell what breakthroughs, military or civil, might stem from this vast effort.

The United States realizes that in general today it is dealing with a much more sophisticated Communist conspiracy than prevailed ten or fifteen years ago. As a top official recently observed, "Ten years ago we used to worry about what would happen if the Russians got smart." In the days of Stalin, the Moscow threat was almost entirely military. But since 1954 a fresh impetus is visible in Soviet foreign policy, and new techniques of great sophistication are being applied, in foreign aid proffers, trade ventures and propaganda. President Kennedy sees this as a warning to the West to revivify its own techniques, alliances, aid programs and kinship with the newer nations.

So the new team has moved to strengthen conventional forces, work perceptively through the United Nations, energize a more vital foreign aid

\* As above.



program, encourage Atlantic unity, and seize upon Moscow's propaganda weaknesses. Given time, these trends should bolster the free world's stance.

### The Menace in Berlin

**B**UT immediately ahead lies what Washington with daily regularity refers to as the "Berlin crisis". Premier Khrushchev, perhaps foreseeing the prospect of a strengthening of western resolve and reserves, set out early to test the Kennedy mettle. His threat to sign a peace treaty with the East Germans has been followed by a rescinding of earlier Soviet defense cuts (which were indeed being implemented most lethargically), and a massive Moscow display of military aeroplanes. The United States together with Britain and France have replied to Mr. Khrushchev's *aide mémoire* with notes stating that their rights in West Berlin are wholly legal and that what Moscow proposes is illegal.

The basic American policy here can be simply stated. It is to refuse to surrender the freedom of the people of West Berlin or their access routes to the West. What Washington has had to decide in consultation with its allies is just what steps will be taken, military or diplomatic, if Moscow or its East German puppets move against the access routes or the freedom of the West Berliners.

The problem is also the question of precisely where and when to take a stand, if the Communist curtailment should begin with exceeding mildness and proceed by slow escalation. Finally the problem is to maintain conversations with the Russians without seeming to suggest a readiness to retreat.

If Moscow is worried mainly about the eventual possession of nuclear weapons by the West Germans, Washington feels it can offer reassurances there. If a mere *de facto* recognition of the East German puppet régime is involved, that perhaps could be resolved to the Kremlin's satisfaction.

In the Kennedy Administration's view, however, these are really not the ultimate issues. The central intention of Premier Khrushchev, it is believed, may be to force a "western retreat" at Berlin. Not only is the escape hatch to be closed, not alone is the freedom flag flying one hundred miles inside the satellite empire to be hauled down eventually. There is seen, beyond all that, a move to cement solidly the authoritarian character of Europe right up to the Elbe, and a drive to alter the postwar European *status quo* in a way which will visibly suggest the ascendant power of the Soviet empire.

This may be an overzealous interpretation of Mr. Khrushchev's move. Columnist Walter Lippmann and others have brought back from Moscow suggestions that the Soviet premier is mainly concerned over the future intentions of a rearmed Germany. Satellite officials in Washington aver that Moscow mainly wishes to turn off the Berlin "green light" to German expansionism and revisionism eastward.

If the tentative Administration version is correct, then the autumn could see a very serious confrontation. The State Department is of course keenly aware of the dangers of forcing anyone, on either side, into a blind alley whence the only escape is by fighting. It is also aware of the possibility that Moscow, watching American policy in Cuba and Laos, could be activated

by miscalculation. To disabuse Mr. Khrushchev of such notions, President Kennedy has of course given his orders for a strengthening of the country's military posture.

There is solemn realization in Washington that brinkmanship over Berlin could even lead to a nuclear holocaust. There is a willingness to explore the issues with Moscow through all the autumn months. But the Kennedy Administration really does not believe that the United States could live easily with a Berlin retreat—that it would rankle and disturb, and would poison East-West relations through the years far ahead. A compromise on Berlin is possible. But, rightly or wrongly, the city of 2½ million free Germans has become a considerable symbol in the United States.

### The Home Front

THE Kennedy Administration has of course other tough problems beyond Berlin. On the home front—somehow, someday—there is hope of writing a farm program that will really reduce the agricultural surpluses. On the racial front, strides have been made in six months to persuade more southern-State registrars to permit Negroes to prepare for voting by registering. Token school desegregation has begun in a few more southern cities. The "Freedom Riders", white and colored youths testing whether bus terminals and their eating facilities have been desegregated, have attracted global attention, and also heartened the negro community to more extended protests on the Gandhi model.

Congress has done fairly well, fairly early, with the Kennedy legislative program, enacting social security liberalizations, aid for depressed areas, a \$1.25 minimum wage law and extension of unemployment benefits. But it has been touch-and-go on the federal aid-to-education measure; and an ambitious program for medical care for the elderly has been postponed to next year (an election year) because this year too many strategically placed Congressmen oppose it as the entering wedge of "socialized medicine".

The public graph of President Kennedy's popularity has remained fairly high right along, even after the Cuban fiasco. The graph of Washington's estimate is a bit lower. If one were to make a generalization at this time, it would be simply to reiterate that the Kennedy performance has been somewhat less spectacular than the advance build-up during the campaign seemed to promise.

Perhaps this merely points up the monumental problems with which the new régime has been faced. Or perhaps it quietly suggests that there are no textbooks telling how to be a great president, and that, however brilliant the individual or however professorial the assembled staff, there is no substitute for experience, and that kind of wisdom must be earned the hard way, in office.

United States of America,  
August 1961.

# AUTHORITARIANISM IN CEYLON

## GOVERNMENT BY EMERGENCY POWERS

THE extraordinary course taken by politics in Ceylon in recent months could not have been foreseen by anybody, no matter how well versed in that country's affairs.

On July 1, 1960, a woman, Mrs. Sirimavo Bandaranaike, became the Prime Minister—incidentally, this was the first time in history that a woman had achieved this responsibility. Her party, the Sri Lanka Freedom Party, with no organization worth speaking of—for example, it was reported to have but one typewriter for its use before the elections—defeated the powerful United National Party under the leadership of Mr. Dudley Senanayake, previously in office as Prime Minister. This, though the United National Party had almost unlimited resources, was well organized and had the support, open or covert, of some former non-Marxist members of the Cabinet and Government of Mrs. Bandaranaike's husband, Mr. S. W. R. D. Bandaranaike, who was assassinated in 1959 while in office. In this last election in which Mrs. Bandaranaike came to power the U.N.P. kept only thirty seats out of a house of one hundred and fifty one. Most of the members of the late Mr. Bandaranaike's Cabinet who were not with Mrs. Bandaranaike's party lost their seats or were otherwise wiped out politically. (The present Cabinet of Mrs. Sirimavo Bandaranaike contains only four of the late Mr. Bandaranaike's original Cabinet of 1956.) The late Mr. Bandaranaike's Left-wing deputy in 1956, Mr. Philip Gunawardene, is now one of the strongest opponents of Sirimavo Bandaranaike's Government. Mr. Philip Gunawardene's party has been reduced to three, consisting of himself, his brother and one other.

The late Mr. Bandaranaike's Right-wing deputy, Mr. R. G. Senanayake, is today another inflexible enemy of the Government. Although he won a seat on the S.L.F.P. ticket he was not given a Cabinet post, and was subsequently expelled by the party. He retaliated in June this year by organizing the first successful internal revolt of party members of the S.L.F.P. over a fast by a member of Parliament called Rajaratne. The late Mr. Bandaranaike's immediate successor in office, Mr. W. Dahanayake, who was Prime Minister from the end of September 1959 till March 1960, is himself a third implacable enemy of the Sirimavo Bandaranaike Cabinet. The leader of the House, Mr. C. P. de Silva, and three other original ministers in the late Mr. Bandaranaike's Cabinet of 1956, and now members of the Cabinet of his widow, Messrs. Maithripala Senanayake, T. B. Ilangaratne and A. P. Jayasuriya, find their positions today constantly assailed by two new men who are now the power behind the throne—Mr. Felix Dias Bandaranaike the Minister of Finance, and the man he was successful in having nominated as Minister of Justice, Mr. Sam P. C. Fernando.

At present political power in Ceylon resides in three people who were not

in politics at the time of Mr. Bandaranaike's death—Mrs. Sirimavo Bandaranaike, Mr. Felix Dias Bandaranaike and Mr. Sam P. C. Fernando, a lawyer with a pleasant personality who is an active member of the Diocesan Council of the Anglican Church of Ceylon. Both Mr. Felix Dias Bandaranaike and Mr. Sam P. C. Fernando were completely unknown politically at the time of Mr. Bandaranaike's death. This triumvirate wields more power than any Prime Minister of Ceylon ever did. The three govern today under Emergency powers, and their Government can only be described as authoritarian. As yet it may not be an actual dictatorship, but it must become one if its officers continue to exercise their present emergency powers for many months more. It is possible that the first victims of such a dictatorship would be some of their present Cabinet colleagues. The public have no real knowledge of the working of this triumvirate. Mrs. Bandaranaike is to a large extent isolated in the fortress of "Temple Trees", the official residence of the Prime Minister. Nevertheless it is said that Mrs. Bandaranaike relies more closely on Mr. Fernando and his winning personality for day-to-day counsel than on his patron Mr. Felix Dias Bandaranaike.

It is extremely difficult to determine to what extent Mrs. Bandaranaike herself shapes and moulds the policies of the Government but it is believed that since she was elected she has begun to develop a mind of her own in a limited way, and often, if only because of the conflicts in her Cabinet, to take decisions on her own account. Even so the differences between Mr. Felix Dias Bandaranaike and Mr. Sam P. C. Fernando are not yet of an extreme nature, and it is accepted that they would stand together in any concerted attack other Ministers might launch against them.

What is beyond all doubt in Ceylon today is that the triumvirate has done things which previous Prime Ministers, including even the former strong man, Colonel Sir John Kotelawala, P.C., C.H., would not have dared to do. The three have placed all the effective leaders of the Ceylon Tamils, a dissident minority in the State, under detention. They have threatened the Indian Tamil leaders, that is, leaders of the Indian Tamils working on the tea estates in the country, with this same fate and the confiscation of all their personal property, and to all appearances have got away with this threat. They have imposed an extremely severe censorship and control on all publications whether published by political parties or by independent organizations. So severe is this that the late Mr. Bandaranaike, democrat as he was in spite of all his faults, would never have countenanced it. They have dared, some say have even been courageous enough, to have beaten up Buddhist priests when they demonstrated over a fast by another priest. Laying hands on a priest is considered almost sacrilegious in Buddhist Ceylon.

They have put the entire Trade Union movement in shackles, not only by banning strikes but by preventing any news of an actual strike or of preparation for one from being published. They have dismissed the Head of the Treasury who was also head of the public services in Ceylon, as in the U.K., and his deputy—all in an afternoon. They have imposed a great number of controls on the public and have succeeded in instilling a sense of



fear into them. It is always possible that Mrs. Bandaranaike is not fully aware of some of these actions. The same might be said for Mr. Sam P. C. Fernando. But whatever the extent of their knowledge, in the eyes of the country, of other political parties, and perhaps of the rest of the Cabinet, responsibility for these authoritarian acts falls most heavily on Mr. Felix Dias Bandaranaike. He is generally regarded as the man who would like to set up a dictatorship in Ceylon, and although he has denied this charge when it was made in the House of Representatives, it is quite evident, despite the Emergency and the censorship, that almost all political parties outside the Government, and a section of the Government party including some cabinet ministers, are antagonistic towards him. It is even said that the Governor General and the bulk of the public service are likewise against him. There is no doubt that but for Mrs. Bandaranaike Mr. Felix Dias Bandaranaike would not last a minute more in Ceylon politics. On one point only would it be correct to say that all political parties and groups, including a section of the Government party and the Cabinet, are agreed, and that is in their common dislike of Mr. Felix Dias Bandaranaike and their resolution sooner or later to drive him off the political scene. He is himself an ambitious man. He is said to be conscious of all these moves and of all the intrigues against him; and there is a feeling that one day soon he will take the initiative in fighting, first of all, the opposition to him in the Cabinet, and then in the Government party. However, as long as he has Mrs. Bandaranaike's support to buttress his own ability, he is likely to be able to hold his position.

### Power of the Prime Minister

THE truth is that the most politically powerful figure in Ceylon today is Mrs. Sirimavo Bandaranaike. If another election were to take place soon she would win it again and she would have an absolute majority. It would not matter if a completely different set of candidates represented her party in the constituencies or if she were opposed by members of her present Government. This is the strangest situation of Ceylon politics today. Mrs. Bandaranaike has driven out of political power all the leaders of Ceylon at the time of her husband's death, whether in the Opposition parties or in his own. She is not a Member of the House of Representatives and has not been elected by the people. Her formal education finished when she left high school, and she kept out of politics till her husband's death in September 1959.

Her present ascendancy derives from the reverence in which she is held by a large section of the people of Ceylon; in the countryside she is almost worshipped. A majority of the ordinary people of the country, who are mainly the Sinhalese, coming as they do mainly from the rural areas, will put up with almost anything from a Government of which she is Prime Minister. She is still the most popular figure in Ceylon today, although her Government and her ministers have encroached upon, and behave as if they wished to destroy, many of the fundamental rights that characterize a democratic society, which Ceylon was at the time she became Prime Minister.

She is the symbol of a vast social revolution that is taking place in Ceylon,

and of which her husband was the instigator. It is extraordinarily far-reaching. Political power in Ceylon since the beginning of this century was shared between the British, who of course controlled all the key points of power, and a westernized layer of Ceylonese which was cultivated by British administrators under the shadow of the Pax Britannica.

There is no doubt that until the British left Ceylon this westernized Ceylonese group were the junior partners in ruling Ceylon. With independence the westernized Ceylonese group, drawn from all communities in Ceylon, assumed sole power. In numbers it was a very small group, a "microscopic minority" of about 5 or 6 per cent of the population. Its members had been educated in English, imbibed British culture, and been trained in the British way of life. In some ways they were even more British than the British themselves. Their political party was, by and large, the United National Party, which at the time of independence was led by the Rt. Hon. D. S. Senanayake, P.C., the first Prime Minister of Ceylon. There were opposition political parties at that time, but these were Marxists, and were also led by representatives of the same westernized layer. At that time a wag from a neighbouring Asian country jested, "If a Ceylonese had to choose between Heaven and a knighthood, he would without doubt choose the knighthood". The change that has taken place is such that now it is a disadvantage politically to have imbibed very much western culture.

This westernized group of Ceylonese were the natural leaders of society, because they alone were ready to take over complete political power when the British left Ceylon, and they had been extremely well trained by the British. There were many very able people among them. But as a group they lived in another world from that of the vast mass of the people in Ceylon, 95 per cent of whom had grown up under a different tradition. This vast mass was relatively untouched by western culture. By and large its members continued to live in much the same way as they had lived in the times of the Sinhalese kings. Their language, their customs, their religion and their way of life were completely different from that of the westernized layer, which they met almost solely on official and business matters, and very rarely socially. The indigenous section had, however, the vote, universal franchise having been introduced in 1931. They had not in British times exercised it save meekly to vote for one or other of the representatives of the westernized layer. After all, only representatives of the western layer could speak English, the official language, and the only one used in Parliament. But this indigenous section was also getting educated in its own languages and cultures: free education had been introduced in 1942. It was in the great mass composed of the "have-nots", for all privileges, social standing and wealth were exclusively the preserve of the westernized group of "haves".

#### **The Sri Lanka Party**

**S**OON after independence the late Mr. S. W. R. D. Bandaranaike, who was the deputy of the first Prime Minister of Ceylon, Mr. Don Stephen Senanayake, left the United National Party and formed a party of his own, the Sri Lanka Freedom Party; he was determined to win over the vast mass

of the indigenous section of the people by seeking to advance their interests as against those of the westernized layer. Originally, his party sought to carry all in the social communities in this indigenous section—the Sinhalese, the Tamils, the Muslims, and all religions—the Buddhists, the Christians, the Hindus and the Mohammedans. But very soon he found that it was impossible to reconcile the varied interests of all these people. He therefore made a choice. He chose to become the champion of the Sinhalese, whose civilization he urged should be made predominant in independent Ceylon, at the expense of the western civilization. The Muslims presented no problem, because being small in numbers the bulk of them went over to the Sinhalese side, while a few, mainly resident in Tamil areas in the island, aligned themselves with the Tamils. The slogan under which Mr. Bandaranaike sought to advance the interests of the Sinhalese layer was the slogan "Sinhala as the only official language". The official language at that time was English.

The U.N.P. which was in power from 1948 to 1956 took up the position that English had to be replaced, but that it should be done gradually, over decades perhaps, and finally that Sinhala and Tamil should jointly take its place. A section of the Tamils, led by Mr. G. G. Pannambalam, were in the U.N.P. Cabinet. Another section led by Mr. S. J. V. Chelvanayakam, the leader of the Federal Party, campaigned for a federal state. They said that the placing of power in the vast Sinhala indigenous group could mean that the Tamils would have no place in a Sinhala Ceylon. They asked therefore that the Tamil areas should form an autonomous state in a federal constitution. They felt that only in this way could the language, the culture and the interests of the Tamils be protected. From 1951, when the late Mr. Bandaranaike left the United National Party, till 1956, he sought to enlarge the rights of the indigenous Sinhala group. He was successful, at that stage, in preventing religious divisions from affecting the Sinhala group, although there was a heavy bias in his party towards Buddhism. He concentrated on propagating the cause of "Sinhala Only".

Neither the Tamils nor the bulk of the westernized layer could read or write Sinhala, and most of the Tamils and a good proportion of the westernized layer could not even speak it. For the matter of that the late Mr. Bandaranaike, as he admitted in court while giving evidence just before he became Prime Minister, could neither read nor write Sinhala; even at the time of his death he had not repaired this deficiency. But he saw very early in his life the political power that the Sinhala group must necessarily carry. In fact, as this group became more and more politically conscious and as it grew in strength, the U.N.P. itself, immediately before the 1956 election, changed its policy to that of "Sinhala Only" as first propagated by Mr. Bandaranaike. So powerful politically is the cry of "Sinhala Only" today, that every political party that hopes to govern has adopted the same slogan. The Communist Party and the Marxist Sama Samaji Party *de facto* favour this policy, though they occasionally seek, when it embarrasses them, to show that they stand in some sort of way for equal rights for the Tamil language.

In April 1956 Mr. Bandaranaike's party won the general election, and he became Prime Minister. This marked the beginning of the entry of the

Sinhala group into the seats of political power. Sinhala was made overnight in law the official language, but its actual introduction was gradual. The customs and the way of life in Ceylon became increasingly Sinhala, replacing the elements of western culture. Although himself the political leader of the Sinhala group, Mr. Bandaranaike did not really belong to it in many ways. He was, one might say, the last British aristocrat in Ceylon, imbued with all the traditions of Oxford and Westminster. He kept a check on the changes he was initiating because he himself was perhaps instinctively unhappy at the passing away of certain values in western civilization which he admired very much. In a sense political power was not the end of the road for Mr. Bandaranaike, but it was the beginning of a new road which was much more difficult to traverse than the old one on which the U.N.P. had travelled since independence. For Mr. Bandaranaike came into power in an economy which was almost entirely agricultural and plantation. Its surplus wealth was sufficient to ensure a good life for the westernized layer. For many years this surplus was largely appropriated for this layer and its "microscopic" numbers. But now that the vast mass of the Sinhala group had come into positions of power, there was relatively little left for it. Mr. Bandaranaike was faced with the problem of ensuring better standards of living for the vastly augmented number which sought them. Apart from the Marxist layer of his party who had their own solutions, mainly of various forms of nationalization or state capitalism, the rest of Mr. Bandaranaike's party did not really have any clear views how these better standards were to be obtained. A whole host of ascetic ideas of simple living, as well as of increased production by the small man, were suggested by them at various times, but nothing more definite. The economy of Ceylon, stagnant so long, never really started to grow during Mr. Bandaranaike's period of office. Instead the situation created by the influx of the vast Sinhala majority resulted in conflict with the westernized group on the one hand, and the Tamils on the other. During this period Mr. Bandaranaike deftly managed to continue in power by using his oratorical powers to talk his way out of all difficulties. These very powers helped, perhaps, to make him the democrat he was. To his credit it must be said that despite all his difficulties he never willingly sought a solution which was not democratic.

The rise to power of the Sinhala group raised a conflict with the Tamils, who had hitherto held a greatly disproportionate share of the better jobs in society, mainly because most of them knew English. "Sinhala Only" was one way of dispossessing them. Mr. Bandaranaike met the objections of the Tamils in his characteristic way. He enforced "Sinhala Only" up to a point. Tamils with good jobs retained them, though of course in the future Tamils would get none at all. He also proposed to make provision for what he called the "reasonable use" of the Tamil language; unfortunately he was unable to do this before his death.

#### A Party Upheaval

IN the later stages of his period as Prime Minister the late Mr. Bandaranaike passed from crisis to crisis. The unrest in the country reflected itself on



the one hand in various forms of direct action, and on the other in gradual breakaways from his party. With Mr. Bandaranaike's death his own party disintegrated. The more conservative layer, including many of his ministers, adopted a position not very dissimilar to that of the United National Party, and broke away from the S.L.F.P. In March 1960 the S.L.F.P. fought the general election under the leadership of Mr. C. P. de Silva, who was then recovering from a very serious illness. Mrs. Bandaranaike campaigned on behalf of her late husband's party and the results showed that she was very popular and that she had gathered support for the party in the countryside. In the July election, when she took over the leadership of the party, she was able to win an absolute majority, helped no doubt by the no-contest pact with the Marxist parties, who decided not to put forward candidates against her party members. The U.N.P. got the largest number of votes of any single party—a little over 40 per cent. This, it was calculated, was probably about the maximum that the U.N.P. could hope to win in any election. Mrs. Bandaranaike was supported by the bulk of the other 60 per cent. The small man in the countryside was her typical supporter. Not having very much of an understanding of the intricacies of political questions, he felt nevertheless that the late Mr. Bandaranaike had raised him and his fellows from the mat on the floor to the chair by the table, and that Mr. Bandaranaike's widow could advance his interests further. He and his kind were the people who constituted the bulk of the Sinhala layer, and as such they looked to Mrs. Bandaranaike and her supporters to enable them to escape from their poverty and find the comfort that they so desperately sought.

In office Mrs. Sirimavo Bandaranaike's Government found itself under the immediate obligation to do something for its supporters, and quickly. As a result its policies have been, generally speaking, threefold. The first is to dispossess the Tamils of their existing possessions. The nature of the legislation that Mrs. Bandaranaike's Government had to introduce for that purpose has put the entire Tamil community into revolt, and given rise to the Satyagraha movement of the Federal Party, which rendered the Government's authority in the whole of the northern and part of the eastern provinces of Ceylon completely ineffective. Her Government retaliated by declaring a State of Emergency and detaining the Tamil leaders.

Secondly, it is seeking to develop the economy of the country as far as possible. Private foreign capital is no longer interested in assisting. Aid from foreign governments in industrialization is at best symbolic. Ceylon has therefore to fall back on her own resources. On the one hand, through nationalization and state capitalism, an effort is being made to develop the public sector; while on the other hand various fiscal concessions and import controls on foreign goods are offered as an inducement to the private sector to start new industries.

The third line of policy has been to reduce the level of the "haves" to that of the "have-nots", and particularly in the westernized layer. In a variety of forms there is an attack on the layer's remaining privileges and wealth.

Will these measures have the desired effect? So far very little growth has taken place in the public or private sectors to make a significant impact on

living standards or employment. Instead, inflationary trends have tended to cause a fall in standards of living while employment, for lack of development, has shown no significant increase. The first rumblings of revolt came over the monkish fast already mentioned when the dissatisfaction of the extremist Sinhala elements was expressed in direct action led by the Buddhist monks.

The reaction of Mrs. Sirimavo Bandaranaike's Government was to govern by emergency powers. The Ceylon Tamil leaders are in detention, and the Army is in occupation of the Tamil areas. The leaders of the Indian Tamils in Ceylon, who tried to support the cause of the Ceylon Tamils by organizing a general strike on the plantations, were warned that they would be detained and their property confiscated. A severe censorship was imposed on all publications. The entire Trade Union movement is in shackles. The extremist Sinhala Buddhist elements are also under control with one of their leaders, Mr. Rajaratne, and his wife (who is also a member of Parliament) under detention. Almost every problem is being held in check by force. All endeavours at political solutions have so far been ineffective.

So far Mrs. Bandaranaike's Government survives. The question is: How long can it continue to do so? Even if the bulk of the Sinhala group has confidence in the Government and its leader, there are signs of revolt. The Government up to now has failed to make any significant contribution towards improving the lot of the mass of the Sinhalese. Circuses there have been in plenty, but the bread has yet to materialize.

Finally, if Mrs. Sirimavo Bandaranaike and her Government cannot deliver the goods, what will take their place?

# UNITED KINGDOM

## GATHERING STORM

IT is said in some political quarters that not long ago, when the Labour Party had no time for anything except its own intestine struggles and everything the Government touched seemed to turn to gold, Mr. Macmillan chastened his less experienced colleagues with a reminder that "events are always the most dangerous Opposition for an Administration". He was not simply wise in saying so: he was clairvoyant. No doubt the Labour Opposition in Parliament is on its mettle again, and in small ways (like upsetting the Government's legislative timetable for the session) has made itself a nuisance. But events, not Labour pressure or ministerialist backbench restiveness, have broken the Government's stride. Once again we have been brought to the point of the cycle where sterling is under serious pressure and drastic measures have to be taken; once again through the summer and into autumn an international crisis on Berlin brews up; and for good measure Mr. Macmillan has felt bound to confront the Cabinet, the Conservative Party, British industry and agriculture, and the Commonwealth with one of the most fundamental dilemmas in our history—whether or not to become a member of the European Economic Community. There is no denying that these accumulating strains have taken their toll of the Government's confidence and verve; and as usually happens when big things go amiss, even the small things refuse to go right. If opinion polls are on the mark, Mr. Macmillan's stock in the country has been falling. Each week one or two Ministers do or fail to do something which shows that they have lost their touch. And Conservatives in the Commons are uneasy.

Take the economic crisis. It is true that when he brought in his Budget in April Mr. Selwyn Lloyd frankly set out the strength and weakness of Britain's present economic position; and he did announce that he was providing for powers to bring into use two new economic regulators to suppress home demand and waste of labour if they should prove to be needed in the course of the year. But he also provided for surtax concessions amounting to more than £80 million for income groups that none can pretend are among the most needy. Three months later he had to act, to cut government expenditure, to restrain home demand, and to reorient the economy.

Why did he not do what was necessary in his Budget? Nobody knows. If he knew he might well have to come out into the open and resist wage demands from the trade unions, why did he stultify himself politically by introducing surtax concessions? Nobody knows. At any rate, before his Finance Bill had received the royal assent the Chancellor of the Exchequer had to pledge himself to Conservative backbenchers that sterling would be kept at its present parity.

There is really a double problem. The maintenance of sterling strength is short-term; the correction of persisting trends in the British economy is long-term. The deficit on the balance of payments last year was about £340 million, partly because industry had been stocking up, partly because exports were much lower than had been hoped, partly because invisible earnings (shipping, oil, dividends from oversea, and the balance between what the Government spends oversea and what other Governments spend in Britain) fell by over £200 million between 1958 and 1960. Meanwhile, at home the cost of living has begun to rise again, the unions are stacking up wage demands regardless of productivity, and resources are under heavy pressure from demand. What the Government have to aim at, therefore, is the reduction of British spending oversea, much more efficiency to make British prices competitive in world markets in order to increase exports, the stimulation of invisible earnings, and a general policy of linking income increases and bonuses to higher productivity. Public debate has shown that there is general agreement on the ends, if a difference of view on the means; and in the light of what has happened the question is why the Government dallied so long before they took their emergency action.

### Commonwealth Fears

FORMAL negotiation has been opened to see if there is a way into the European Economic Community that would not involve intolerably exorbitant terms. Since the Conservatives came back to power in 1951 there has been no political question of comparable difficulty and danger. It need not now be doubted that Mr. Macmillan and his Cabinet, with only one or two exceptions, in the spring this year saw a need to get under the E.E.C. umbrella if the terms were reasonable—which is to say that the Commonwealth, the other six countries who belong to the European Free Trade Association, and British agriculture could have their interests safeguarded. Cabinet opinion has been moving for some time in favour of getting in, if only General de Gaulle would show signs of bending a little. It was immensely significant, for instance, that Mr. Duncan Sandys, the Secretary of State for Commonwealth Relations, and Mr. Peter Thorneycroft, the Minister for Aviation (and a former Chancellor of the Exchequer), who are known to be among the most powerful advocates of Europeanism within the Cabinet, were selected to go as missionaries to the major Commonwealth countries to take soundings on Commonwealth reactions. But it has to be faced that Mr. Macmillan and the Cabinet are in advance of much opinion in the party, both in Parliament and outside; and although the communiqués out of Wellington, Canberra and Ottawa are capable of more than one interpretation (some expositors, for example, say they should be read in the light of the local political situations) it is perfectly plain that some very respectable Commonwealth leaders fear that Commonwealth interests could not be well enough protected within the Treaty of Rome to allow present Commonwealth relationship to continue much as they are now.

Nor are the warnings and doubts of Commonwealth leaders unechoed



within the Conservative Party. In the spring, Conservatives thought that political wisdom, like charity, began at home and were especially occupied with home agriculture and horticulture. This phase passed quickly. On detailed examination British farmers were not thought to be in such desperate danger as was first feared, although horticulturists remained unreconciled. Then some of the constitutionalists, including lawyers like Sir Derek Walker-Smith, Q.C., began to raise the question of the implications for British sovereignty of signing the Treaty of Rome; and there was never any doubt that they would get an attentive hearing from the Conservative right wing, not to say some of the Labour right-wingers. Gradually the Commonwealth issue found a voice. Mr. Diefenbaker, the Canadian Prime Minister, having first given the British Government a rough time in official talks behind the scenes, attracted notice with a statement proposing a meeting of Commonwealth Prime Ministers before any decision was taken. This came as a clarion call to action not only for the Beaverbrook newspapers but for all those Conservative M.P.s, Young Conservatives, and party members for whom the Commonwealth is part of their faith, an untarnished ideal and a continuing inspiration. Mr. Macmillan could not doubt the danger he was in. He sent out missionary Ministers to the Commonwealth capitals to explain (as one Minister put it) that the difficulties of going into E.E.C. were not less than the difficulties of staying out, and to make the point that Britain's strength as the centre of the Commonwealth, and her ability to help the family, might depend on entering.

At any rate temporarily, the sharp Commonwealth reactions produced an effect on rank-and-file Conservative opinion. They suddenly checked a trend towards open-minded consideration of the balance of the argument (not that the Government had presented the case for or against) and set up a real resistance to any hurried decision by the Government. There were renewed cries that the Government had no election mandate to commit Britain to a reorientation that would touch nearly every important aspect of the national life, as well as affront much popular sentiment; and there was a demand that the Government should submit their decision, once it was formed, to Parliament as a matter of confidence. As these notes are written, it is difficult to believe that Mr. Macmillan and the Cabinet could take the plunge into Europe without first calling a meeting of Commonwealth Prime Ministers. Only in this way could assurance be given to Parliament that in helping to unify western Europe there would be no danger of breaking up the Commonwealth; only in this way could a British entry into E.E.C. seem to be politically "on". It has been emphasized that the object of the present negotiations is to ascertain the terms on which Great Britain would be admitted to membership, and it will be for Parliament later to consider whether the terms offered are acceptable.

It is fair to say that the Government are now in the position that when some external political forces (the economic crisis and the Russian threat to Western Berlin) are working for the unity of their rank and file they are having to place their followers under severe strain by precipitating the European issue. As time passes, there are many who feel that the question

is one to be satisfactorily answered politically only at a general election. But we may doubt whether that is a consummation the Government, or the Opposition, would wish.

### Labour on an Even Keel

**W**HILE the Government have been losing some of their sureness of touch under the mounting pressure of events and while the Conservative rank and file have been growing more prone to critical mutterings, the Labour Party has astonished everybody by suddenly getting back on an even keel, at least for the time being. At the turn of the year no Labour leader and no supporter of the leadership could have dared to hope that the deep split on the unilateral repudiation of nuclear weapons at the Scarborough conference last October would be repaired in time to avert an even greater calamity at this year's party conference in Blackpool. At Scarborough the unilateralists carried the day against the official defence policy by a small margin, thanks to the swing of such big unions as the transport workers, the engineers, the shop workers and the railwaymen. It looked as though Mr. Gaitskell and his lieutenants could not survive the immense pressure to yield to the decision of the mass conference. But in a few months this year the situation has been utterly transformed. One big trade union after another has swung back from unilateralist commitments and accepted the redrafted official policy (which is multilateral as ever and still oriented on N.A.T.O.), and it is already clear that this autumn Mr. Gaitskell will have a majority of at least two million votes, probably nearer three million. Only the largest union of all, the Transport and General Workers, with a million votes at the Labour Party conference, now offers any serious challenge to the leadership on the main defence policy.

It is obviously of high political importance to inquire how it can happen that a great party, which it would be wrong to think unsophisticated, may be made to swing violently from one fundamental policy to the other extreme in the space of a few months. The answers hardly fortify one's faith in democratic machinery. It is clear that within two or three years members of the Campaign for Nuclear Disarmament, presumably not without inspiration from the centre, set themselves to infiltrate and capture the trade union branches and the Labour constituency parties. As with the Peace Ballot in the 1930's, when millions of signatures of well-meaning citizens were collected (Mr. Stanley Baldwin was dangerously intimidated by them), C.N.D. activists found a lot of trade unionists and party members who feared war. It could not have been hard to commit the branches and the constituencies to unilateral nuclear disarmament and a policy of isolation from N.A.T.O. and the loosening of the American partnership. They could count from the start, of course, on the support of the Left wing; and they also won the most important recruit of all in Mr. Frank Cousins, the powerful general secretary of the Transport and General Workers' Union.

There seemed no means of turning the swiftly advancing tide that threatened to engulf the leadership. Mr. Gaitskell had a contested election for the leadership of the Parliamentary Party, immediately after the Scar-

borough conference—the first time it has happened. But when the Labour M.P.s stood firm the movement was given a breathing space in which to think again. This proved to be a crucial event. It gave a chance for the loyalists in the movement to reassert themselves at “grass-roots” level in the union branches and in the constituencies, and to challenge the small groups of unilateral activists who had taken control. One of the major influences in rallying support for Mr. Gaitskell and the multilateralist policy for which he stood was the very small Campaign for Democratic Socialism. This group had at the centre only a few not very important party members, and they determined to overthrow unilateralism within the movement by using the methods that they were sure had been used to establish it. They selected rather fewer than 3,000 local party members and trade unionists, and appointed 250 local “Whips” whose function it became to challenge the unilateralists at every move. They were briefed from the centre and often provided with “model” motions and amendments to ensure that the local bodies did not renew their unilateral commitments without a fight. In this way, as everybody accepts, a small band of organized guerrilleros were able to do much to recapture for Mr. Gaitskell one union after another. (It is true that they were helped by a huge craving for unity and common purpose in most of the Labour movement, but all past experience has shown that without central direction and tight organization little or nothing of consequence can be achieved in a mass party.)

It happened that as some of the details of this counter-revolution within the Labour Party became known Conservative politicians were reading a book that gave them reason to wonder if a few well-organized and single-minded activists might not be able to manipulate their own party policies and even the decisions of a Conservative Government. Pressure groups have been too little studied in Britain, and it is significant that *Pressure Group*, a study of the back-stage campaign to break the B.B.C.'s television monopoly and establish commercial television, is the work of an American. For some students of British politics, Professor H. H. Wilson, of Princeton University, draws an inference here and there about pressure groups that may seem to have been coloured by his American experience. But few political studies in recent years have attracted so much political interest. He tells how a tiny group of Conservatives, allied with advertising and industrial interests, waged the campaign to open up television to the advertisers. His evidence suggests that except for Lord Woolton, the Lord President of the Council, they had no support in the Cabinet, and little in the party at Westminster or outside. But Lord Woolton was also chairman of the Conservative Party organization, and he must have known that one or two of the key men in the Conservative Central Office were among the leaders of the campaign. In the end, not all the weight and authority of some of the most respected voices in British politics and public life (they did not organize until too late) could restrain the Government from yielding to the pressure group. Nor could the Government's knowledge that commercial television must stimulate the demand for consumer goods that for economic reasons they wished to avoid.

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Nowadays most Conservatives would no doubt accept that there was and is a case for refusing a monopoly to any corporation or authority where the most direct means of mass communication is involved. But Professor Wilson has obliged them to ask several questions. Is there assurance that the party chairman or his lieutenants cannot use the Conservative central organization to force policy decisions upon the political leaders and the Parliamentary Party? Is there not a danger that public relations operations could have too much influence on policy? Is it any longer a valid proposition that one pressure group will be an effective check in British politics upon another?

### Signposts for the Sixties

IN readiness for the Labour Party's Blackpool conference next month the national executive committee has produced a new statement on home policy. They deny that it should be read as a trial draft for their manifesto at the next general election, but we obviously have here the broad outline of the way a Labour Government would go in home affairs. It was not an easy document to write after the vindication of clause four of the constitution (the nationalization of the means of production, exchange and distribution) at last year's conference, and the authors have produced a lot of words designed to give both the party "fundamentalists" and the "revisionists" what they hoped to read. There is a good deal about planning and a variety of economic controls are proposed, but the only commitments to old-style nationalization refer to steel and road haulage—both of which were denationalized by the Conservatives. For the rest, *Signposts for the Sixties* sticks to the 1955-59 proposal that the State should participate where manufacturing industry asks for national help (cotton textiles, Cunard and the aircraft industry are current examples), and adds that where vast concentrations of economic power have created monopolies the Government "on behalf of the people" has the right to insist that such economic empires should be made accountable to the public interest. This, it is explained, is the Labour case for renationalizing steel. And where major changes of ownership and control in a vital industry are threatened by takeover bid or merger (Detroit Ford and Dagenham Ford?) the State must be free to intervene.

Far and away the most interesting policy development is that dealing with the price and use of land. This is the section where Mr. Gaitskell (who drafted it) most effectively turns a contemporary social and political problem to account. The document deliberately allows to fade away the 1955-59 proposal to municipalize all rented houses and flats, which was one of the most electorally damaging millstones for the party in 1959, but proposes instead that a Land Commission be established to buy the freehold of land on which building or rebuilding is to be authorized. The price paid by the commission would be based on present-use value, with an amount to cover contingent losses and to encourage a willing sale. It is claimed that this system would immediately stop the uncontrolled rise in land values and the exploitation of the public by the private speculator and land owner.

It will strike many ordinary electors as a moderate, well reasoned, and



shrewd proposal. Land prices in the cities and towns, as well as on their outskirts, have been soaring these last few years to absurd heights, as the demand for houses, shops, and offices increases and the "green belts" limit the available sites. Both local authorities and innumerable would-be owner-occupiers are enraged by the appetite of "speculators", and any measure that promised to keep land prices within bounds would be likely just now to win the sympathy of many electors outside the Labour Party. The proposal to municipalize rented houses either terrified electors who did not want to be council tenants or drew a laugh from the more sophisticated electors who knew the cost would be quite beyond the resources of any foreseeable Labour Government. Mr. Gaitskell's proposals for the use of building land hold no such terrors, and are relevant enough to be taken seriously.

It cannot be said that the document on the whole goes out of the way to appease the extremists in the Labour Party, but the leadership has at last had to show it is on the side of the Left-wing angels who cannot bear to think that some parents can buy the privilege of better education for their children. *Signposts for the Sixties* talks of ending educational privilege by establishing an Educational Trust which, after full consultation, would set about integrating the public schools with the State educational system. Eton, say, might become a centre for the higher education of the 18-21 group who are not up to university level; others (perhaps Winchester, Mr. Gaitskell's old school) "could remain as secondary boarding schools for children whose parents' circumstances make this type of education necessary". But the Labour leaders' heart has not been in any of this; the document itself is hedged and hesitant, and the glosses put upon it are even more so. One suspects that if a Labour Government came in during the next two or three years the public schools would not have much to worry about.

### Conspiracy in a Union

THE repercussions from the High Court hearing of a case in which the Electrical Trades Union was found, as everybody had long suspected, to have been controlled by the Communist Party are being felt in the trade union movement generally. At the end of a hearing lasting 40 days, with costs estimated at £80,000, Mr. Justice Winn declared that Mr. Frank Haxell, a Communist, was elected general secretary in December 1959 contrary to the rules of the union, and that his election was void because it was brought about by fraudulent and unlawful devices of five defendants (including Mr. Haxell and the general president, Mr. Frank Foulkes). One of the two plaintiffs, Mr. John Byrne, was declared the elected general secretary. The judge said that of the total union membership of probably 250,000, perhaps only one per cent were members of the Communist Party but they were extremely prominent in the union; and in his opinion not only was the union managed and controlled by the Communist Party but so managed as to serve the ideals of the party. In 1959 the Communist Party controlled it through Mr. Haxell and other Communists in the union.

Much of the evidence heard in the High Court had to do with the rigging of the votes in the union's election of a general secretary, and the conspiracy

revealed has caused much heart-searching and anxiety among leaders of other unions and within the Labour Party. In practice, many important unions use electoral methods that are demonstrably proof against any rigging of the ballot; but the trade union group of the Parliamentary Labour Party, concerned both to restore the movement's damaged image and also to forestall any Conservative attempt to trespass on union freedom, have recognized the need to examine ways in which trade union elections could be raised above all suspicion and be made publicly accountable. Some of them believe that legislation may be necessary, and there has been some Conservative pressure on the Government to make sure that the trade union leaders understand that if the T.U.C. fails to act somebody else may be obliged to do so.

But there is no easy answer. British trade unions have constitutions and rules in astonishing variety; some have innumerable elections every year, others few; and all would passionately resent outside interference. For their part, the Government, who are always careful to keep on good terms with the T.U.C. as a whole and with the individual leaders of the major unions, will not want to meddle if they can avoid it. The best hope is therefore that the T.U.C. will reinforce the powers they exercise over affiliated unions and find their own remedy to ensure that their collective authority is not frustrated.

#### Statesman of Avon

IT cannot be said that the Anglo-French military operation of 1956 in Port Said is yet politically dead; in spasms of hot partisanship the cry of "Suez!" is still to be heard on the Opposition benches in the Commons. But there is no gainsaying that the news of Sir Anthony Eden's earldom has given much pleasure to political friend and foe alike, partly because it was accompanied by some assurance that he now feels fit enough to re-enter politics, at least occasionally. The Earl of Avon, as he will now be known, is the only British statesman of his own or later generations who concentrated on international affairs throughout his political career, and nobody questions the authority with which he speaks within his chosen range. He hopes to make an occasional appearance in the House of Lords to speak of what he knows, and he will be closely listened to.

As it happens, his elevation to the peerage was preceded by his first major political speech since he resigned as Prime Minister in January 1957. He went to Wetherby to address a rally of the Young Conservatives, who honour him with their presidency, and there were many who felt that in his review of the international scene he struck chords that have not been heard in the last few years. He said that not only western policies had to be aligned more closely against the Communist threat, but also the military, political and economic methods by which they will be given effect. He proposed that there should be joint chiefs of a political general staff. He also mentioned the Common Market:

Respect, even admiration, for what has been done in the Common Market cannot alone determine our decision, which may well shape the future of

Europe and of much else besides. Before this nation can pronounce, it must see the conditions it is asked to accept, and see them in whole and in detail. There can be no question of Britain accepting such a change in its destiny in the mood of "on with the new love, off with the old".

Great Britain,  
August 1961

### NORTHERN IRELAND

"BRITAIN and the Common Market", a playful headline in the *Belfast Telegraph*, puts the issues of the day in a nutshell. The Common Market presents Northern Ireland with problems of its own: Britain stands for the committee of civil servants under Sir Herbert Britain, lately of the Treasury, which has begun the task of defining the causes of, and a remedy for, a state of unemployment still four and five times greater than in the rest of the United Kingdom. Between the two is an obvious connexion, and a no less obvious doubt whether the benefits of a new economic policy at home will survive the impact of a new economic policy abroad. For Northern Ireland, as much as the countries of the Commonwealth, is not a little afraid of where the British Government may be leading it. On trade and industry it is half prepared to have to take the rough with the smooth; on the political implications of joining in the European Economic Community it is unready to face contact with a wider world in which British loyalties seem in a strangely disturbing process of change. When the Prime Minister of the Irish Republic, Mr. Lemass, can say—with something less than the true spirit of co-operation—that within the Common Market partition will be a patent absurdity the majority of Ulstermen hear a call to the ramparts. And if this is not a real danger there is always the natural prejudice of the strongly Protestant M.P. who told his Twelfth of July audience: "The Treaty of Rome is not one for which we have any great enthusiasm. To us the title is not beloved."

Mr. Macmillan has had no need to send a Minister to Belfast to ascertain feeling on what other M.P.s have darkly called "a step into the unknown". Communication between the Governments has been continuous and was given final point when the Prime Minister, Lord Brookeborough, spent a July week-end at Chequers. Of the purpose of this rare visit he made no secret. "My task", he said, "is to see that the constitution of Northern Ireland is not undermined". This was more an answer to Mr. Lemass than an objection to any surrender of British sovereignty. The latter is still seen as belonging to a distant future, whereas there are more immediate steps that could conceivably reduce the importance and the effectiveness of the Irish border. In the consultations with the British Government the supreme issue is the Safeguarding of Employment Act and the right to retain it if membership of the Common Market brings freedom of movement of labour. Passed in 1947, this measure provides for a system of permits administered by the Minister of Labour. It is applied also to immigrants from Britain—a curious barrier to be found within the United Kingdom—but is primarily

meant to stem an invasion from the South of Ireland. The Government is well able to say that Northern Ireland, where the amount of employment is insufficient, must ensure that its own people are the first to get work, but it does not deny that control of this kind is designed to prevent an influx of Irish nationals who would become an added charge on the social services, and would in course of time seriously upset the balance of the Protestant and Roman Catholic populations. How long this weapon of defence can be wielded no one can say: at most Mr. Macmillan might negotiate a delay before the Act has to be repealed. Thereafter, it is a matter of speculation whether in a new economic climate the movement of people would be as significant as is now feared. For the rest Northern Ireland will accept for its agriculture the same guarantees as may be obtained by Great Britain, and, taking as precedent one of the protocols of the Treaty of Rome which favours the under-developed South of Italy, it is reasonably confident that new and old industry can be financially assisted for a further period. Mr. Macmillan has undertaken that in all negotiations his Government will watch Northern Ireland's interests.

In this debate Ulster has been made uncomfortably aware that it is a small place, and that the Irish problem is one of the least of those that the Common Market will either raise or settle. It was novel to hear Europe occurring in so many Twelfth of July speeches that in other years would have looked abroad only to the extent of lauding "the Empire" or of condemning the persecution of Protestants in Colombia. Even without Mr. Lemass in the guise of the wolf, Ulster does not like to think that any huff or puff can blow its house down. Complete security this people have never known, but in so far as partition has been a local struggle there has been the conviction that "this we will maintain" will be as sure an Orange maxim as it was in the past. The qualms that are now felt spring from the knowledge that great international forces are at work, and that even the United Kingdom cannot be certain of its future relationships. It may be a hard judgment that Lord Brookeborough and his colleagues have not educated their people in this new conception of world affairs, for Northern Ireland would not have preserved its integrity without constantly looking to its moat. But it may be pondered whether in the post-war era a broadening policy at home would not have produced greater strength and confidence of mind to enable Ulster to face as candidly as Mr. Macmillan the choice of European integration and the prospect of an historic readjustment. A country that remains as divided against itself as Northern Ireland after forty years of self-government is hardly prepared to face co-operation with others. Allowing for the political necessity of moving slowly and of avoiding the kind of split that the extreme Unionists never fail to threaten, the party has made no conscious effort to project its appeal to the whole population on the basis of the still growing evidence of the advantages of the British connexion. Possibly it may now be realized that this is a time when every Catholic vote in favour of the constitution will count. The Minister of Education, Mr. May, in his "Twelfth" oration, made Protestant flesh creep with the statistic that nearly half the children in primary schools are Catholic. But it was hardly a cure



for him to say that the Protestant birth rate must be raised. Ideas as much as numbers must guide the politics of the rest of the twentieth century, and Northern Ireland is clearly faced with a challenge to its inveterate mode of thinking.

It is fair to say that in this situation Lord Brookeborough's customary address to the Irish Republic retains its validity. Throughout his premiership he has had to meet the demand, mostly expressed in arbitrary terms, for a united Ireland: in rejecting it he has always said that full co-operation can follow recognition of Northern Ireland's right to make its own choice. Save when Mr. de Valera conceded that there must first be a unity of wills, that acknowledgment has been refused. The ill-feeling which this engenders will increase if the best purposes of the Common Market are distorted to over-ride what are still, in the Churchill phrase, "the honest necessities of the Ulster case". The stress of mind which entry to "The Six" induces is severe enough without the aggravation of a local conflict which is already near enough to violence, as shown by the long-drawn-out emergency on the border. The warning is not alarmist that any anti-partitionist attempt to gain a quick political advantage could bring to Ireland a reaction alien to all the motives of the Common Market. In rather the same way Mr. Lemass, in starting to reduce tariffs on goods made in the North, faces a temptation. Political exploitation of a new move to which the Northern Ireland Government has given a reluctant acceptance would arouse resentments that would do injury to the more peaceful processes from which the country has lately been benefiting. Better that both North and South should see in this exercise, as they are told to do by the economists, the opportunity to test the effects on their industries of the competitive life of a larger free trade area.

### The Payroll Tax

AS between Northern Ireland and Great Britain changes in policy have also been taking place. Throughout the passage of the Finance Bill at Westminster, a contest was waged on the payroll tax. Whether it was won on the floor of the House or behind the scenes is still being argued, but by the time the Report stage was reached the Chancellor of the Exchequer had conceded that Northern Ireland should be given a total exemption, an important precedent when other regions of high unemployment have also asked to be spared. For a time the Minister of Finance, Captain O'Neill, had been content to accept the assurances that the tax was unlikely to be exacted, and that if it was the proceeds would be his to dispose of. A group of Unionist M.P.s, however, decided to carry on the fight against an impost that has no relevance to an under-developed area and, even if it was returned directly to employers, would be administratively wasteful. The dispute now is whether three of the party who voted against the Government helped to carry the day, or risked a displeasure that could have ruined the private representations to Mr. Selwyn Lloyd. This little drama was the more interesting when seen against the background of a public opinion never quite sure that the twelve Unionists in the British House of Commons are as demonstrative as they should be when the Conservatives appear to be neglecting

Ulster's needs. On this score complaint, for the time being at any rate, is stilled. The payroll exemption was a widening of the principles on which financial relations are based, and gives promise that other reliefs will not be withheld. It was another aim of Lord Brookeborough's mission to Chequers to secure protection for Northern Ireland from the more salutary of the Chancellor of the Exchequer's plans to put the British economy in order. The case for such consideration is strong: at least twice before the impetus of the new industries drive has been slowed and unemployment has risen because of financial measures which, however necessary in the national interest, have been entirely contrary in their local application. In the last few months, despite the sharp decline in shipbuilding, the situation has been more encouraging, and new industries have been announced with some regularity, notably an extension, to cost £9 million, to the Du Pont chemical plant at Maydown, Londonderry. It would put the machine into reverse to deter such investment. This is, indeed, one of the problems of the Brittain Committee. As briefly noted in the last issue of "The Round Table", the appointment of this joint Civil Service inquiry was the outcome of the plea, extending over the past twelve months, that the British Government should take a more positive share in quickening Northern Ireland's pursuit of full employment. It is questioned whether departmental minds are enough without the advice of economists and industrialists, but at least the terms of reference embrace many of the questions that have been awaiting answers ever since a Parliament was opened in Belfast. Sir Herbert Brittain and his colleagues have been asked "to examine and report on the economic situation of Northern Ireland, the factors causing the persistent problem of high unemployment, and what measures can be taken to bring about a lasting improvement". On a direction of this kind they cannot but review the present legislative and administrative arrangements between Westminster and Stormont: the doubt is whether so official a body will venture to propose changes that could involve political innovation. While it is deliberating other inquiries are being made into shipping services and the supply of coal, so that Lord Brookeborough, who for a time looked to have failed to arouse Mr. Macmillan's practical concern, and who was facing a rising tide of criticism at home, can say that his efforts have succeeded, although the results may be slow of maturing. If he can bring back as much when it comes to supporting the British Government in advocating the Common Market he will doubtless be relieved, and the Unionist Party organization with him.

The Minister of Finance, in his Budget in May, could claim to correct the balance of view on Ulster's progress. The fact that the unemployment index is stubbornly of the order of 6 to 9 per cent too often obscures the steady rise in the numbers at work—the economic problem is in many ways one of a prolific birth rate—the continued upward movement in public investment, and the buoyancy of Exchequer receipts. With revenue at £117,680,000, Captain O'Neill, aided by a sum of £2 million from a new agreement on the management of the Post Office, could show a surplus of £8,700,000 which goes to the Treasury in the form of the imperial contribution. Thus for another year the Minister was able to meet still higher expenditure without

showing in his ledger a deficit to add to what is reached when the whole of Treasury payments to Northern Ireland are taken into the account. Solvency of this kind can never be a serious difference between two parts of the United Kingdom, but it will be for the Brittain Committee, as for the Unionist Government, to ensure that Northern Ireland can continue to balance its domestic Budget. The Minister of Finance is under no illusion that whatever ways and means may be proposed they must have as one end the stimulating of local enterprise. Members of the British Government who have pointed to the failure of private capital as one of the root causes of the province's leeway will have applauded a sentence of his speech that was as much a cry of despair as of exhortation. "We are grateful to anyone of any country who will come and start a new industry here," the Minister said, "but unless local initiative takes more advantage of the facilities offered, then the Ulster people themselves will have to take a back seat and allow our province to be developed by the English, the Americans, the Germans, the Dutch and possibly the Japanese." With this threat of conquest, and the Common Market besides, Northern Ireland may indeed begin to wonder exactly where it stands.

Northern Ireland,  
August 1961.

*Postscript.* After the "Little Budget" the Government, while refusing to recall Parliament, promised a statement on its repercussions on Northern Ireland, and the results of further discussions with the Government in London.

# IRELAND

## A COMMON PROBLEM

**B**OTH Irish Governments, North and South, are now faced with the same crucial problem. This is easy to state, but far from easy to solve, namely: will Great Britain join the European Economic Community, or Common Market, and if so where does Ireland stand? The Government of the Republic, having left the Commonwealth, has no right to be consulted in this matter, and has no option but to follow Great Britain's lead. If Britain joins the E.E.C. our whole economic structure must be reorientated and some of our political independence sacrificed. The Northern Ireland Government, as the mouthpiece of a mere provincial parliament, has no choice either, but has suddenly discovered that if Great Britain joins the E.E.C. this step would involve the eventual elimination of Northern Ireland's southern boundary, at least as far as tariffs and movements of population are concerned. Thus both parts of Ireland have been sharply reminded that the British Isles still constitute an interdependent economic unit in which the senior partner is Great Britain, a unit which political autonomy has not seriously altered, and cannot disguise or prevent.

### Quo Vadis?

**P**RESSED on the one hand by the National Farmers Association, who want Ireland to make an immediate application for membership of the E.E.C., but also aware that our adhesion to that organization would mean the end of many of our heavily protected, and not over efficient, secondary industries, the Irish Government has not unnaturally postponed making a decision. Finally, after serious consideration, Mr. Lemass announced that the Government would make an approach to the E.E.C. in order to ascertain on what terms and conditions Ireland could join the Common Market. The Government have just issued a White Paper which gives full particulars concerning the organization, development and purpose of the E.E.C. A second White Paper is promised when the terms on which we should be admitted to membership have been ascertained. In a series of explanatory speeches Mr. Lemass has sought to instruct the public as to the effects of such a decision. He has told us that if Britain joins the E.E.C. then Ireland will have to do likewise and accept, whether we like it or not, the dismantling of our numerous tariffs and quota restrictions. To meet this serious challenge he has urged that drastic changes should be made in our industrial structure through the reconstruction and amalgamation of small concerns, and the search for new export markets. He has also promised that the Government will help to rationalize some industries, and establish marketing boards for others. Demanding that the large industrial countries of Europe should stop subsidizing their agricultural producers to the detriment of small countries like Ireland who mainly depend on their agricultural exports, he said that



alternatively they should cease trying to force such agricultural countries to penalize their growing industries by reducing their protective tariffs and quotas. He emphasized the fact that the E.E.C. was inspired by political as much as economic motives, and that its aim was in effect to achieve full economic unity among its members as the basis for a federal European state. Admission to this new confederation would, Mr. Lemass pointed out, result in the free movement of people and money from the rest of the community into our territory, a like liberty to establish new enterprises here, uniformity of social legislation with other member states, equal remuneration for equal work regardless of sex, an integrated transport system, and harmonized taxation. If Ireland decided to apply for membership of the E.E.C., she must, he emphasized, be prepared to accept these principles although their full application would take some time. In this connexion one must remember that the transitional period during which all tariffs must be abolished has already been reduced, and, although the date of final abolition may be postponed to 1972, it may be reached in 1969. The European Parliamentary Assembly has decided unanimously to make a further cut of 10 per cent in these duties at the end of this year.

Although Herr Brentano, the German Foreign Minister, has apparently assured our timid Government that joining the E.E.C. does not necessarily involve our joining N.A.T.O. it seems obvious that this would inevitably follow. Mr. Lemass warned us that if Ireland did not join the E.E.C. we should be cut off from most European markets and left in an economic backwater unable to participate in their inevitable expansion. In such an event, he said, the prospects for our agriculture would be very depressing, and for industrial expansion non-existent. The policy of Ireland as regards participation in the E.E.C. can be stated quite briefly: if Great Britain joins the E.E.C. we must follow suit. The reasons are obvious. In 1960, 74 per cent of our exports went to the United Kingdom, and 50 per cent of our imports came from there. Our trade with every other country except Great Britain shows an excess of imports over exports, and our trade with Great Britain is still increasing. For the first quarter of this year our exports to Great Britain rose by £7 million and our imports by £5 million. Our trade agreements with Great Britain provide generally for a preferential tariff on British imports here. In return Irish exports, with few exceptions, are free from restrictions and import duties in Great Britain, while Irish store cattle and sheep fattened in the United Kingdom qualify for guaranteed prices. As the recent White Paper points out, before deciding on Ireland's attitude towards the E.E.C. it is necessary to take account of the extent to which such a link might affect our trade with the United Kingdom and to know whether, and on what terms, Britain is going to join the E.E.C.

Great Britain also provides for our emigrants a livelihood, convenient and lucrative, which they could find nowhere else. In short the economic dependence of Ireland on Great Britain has never been more obvious, in spite of the fact that for forty years our successive Irish governments have vainly sought markets for our produce elsewhere. The Germans, for example, have just defaulted on an agreement to take a relatively small number of our

cattle. It is of course somewhat ironic that Mr. Lemass, who has been the main architect of our artificial industrial development policy, should now have to arrange for its virtual disintegration. Confessing that many of the economic conditions that would operate in the future were matters over which this country could exercise no effective control, Mr. Lynch, the Minister for Industry and Commerce, has just admitted that if we joined the E.E.C. some of our weaker industries would find it hard to survive because of the competition they would encounter, not only in the export, but also in the home, market. Mr. C. O. Stanley, the well-known industrialist, has also pointed out that it is going to be very difficult for any of our secondary industries to have any guaranteed position if we go into the E.E.C. because we are in a seller's position and have to find customers for our products. If we have to join the E.E.C. there should, however, be certain substantial compensations. It seems clear that if a fair and just agricultural policy is eventually formulated by the E.E.C. our agricultural producers, who are well able to hold their own, should benefit enormously, and that our secondary industries, after a period of painful, but healthy, adjustment, could be reorganized on a sounder and more permanent basis.

The kind of industries that will benefit most are those engaged in food production, like the accelerated freeze drying plant recently opened at Mallow, County Cork. This new industry, which is sponsored by the Irish Sugar Company, is the first of its kind, and is expected to develop on a large scale. Its dehydrated products, whether vegetables, fruit, fish, or meat, can be stored indefinitely in tins or packages and restored to their original condition, and nutritional quality, merely by adding water.

Owing to the delay of Great Britain in deciding on a definite policy towards the E.E.C. our Government is unable to come to a decision concerning our attitude to this critical matter, and so Ireland remains in an economic vacuum, unable to move backwards or forwards. There is also the important question whether we should join the E.E.C. as a full or merely as an associate member. As an associate we should probably be able to postpone for a longer period the abolition of our tariffs and the liquidation of our inefficient secondary industries, but we should have no voice in the policy decisions of the E.E.C., no right of veto, and no right to assistance from its various assistance funds. Our agriculture would of course gain most by full membership but we should have to cut our industrial tariffs immediately by at least 30 per cent. Whether we become full or associate members the policy of "Sinn Fein Amhain" ("Ourselves Alone"), on which our present Government and its predecessors firmly pinned all their hopes and aspirations, must be finally abandoned if and when the Republic joins the E.E.C. At the same time the virtual disappearance of our Northern border would deprive the I.R.A. of their occupation, and most of our politicians of their favourite grievance.

Mr. Lemass told the Dail on July 5 that the Government had informed the E.E.C., its six individual members, and the British Government that if Great Britain joins the E.E.C. we also shall seek full membership and ask for a modification of the Treaty of Rome in our favour because of our

position as a developing industrial country. He also announced that he and two of his colleagues had arranged to meet Mr. Macmillan in London on July 18 to discuss the whole matter, and that the Government was setting up a special committee of economists, industrialists and civil servants to survey the industrial situation. Consultations would also take place at once with agricultural and trade-union organizations. "Many radical and painful adjustments would," he said, "be involved for Ireland's economy."

### Labour Relations

IT is certain, however, that whether we join the E.E.C. or not, reasonable industrial relations must be established and maintained if our economy is to flourish. At present this is far from being the case. A protracted strike in the cement industry has almost paralysed the building industry, a strike of theatre and cinema attendants completely upset the Dublin Musical Festival, a strike of furniture workers has seriously injured the furniture trade, and the partial strike at the Verolme shipyard in Cork Harbour continues to hamper this new and promising undertaking.\* Without attempting to assess the rights of the contending parties in these various disputes it remains true to say that had there been a rational approach none of them would have arisen. The necessity for dealing with this situation was referred to by Mr. Lemass in his recent speech at the Irish Management Institute conference when he pointed out the need for the representatives of management and labour to reach "some form of national understanding" concerning the expansion of our economy.

The first step in this direction has now been taken at a meeting between representatives of the Federated Union of Employers and of the Irish Congress of Trade Unions, held to discuss the possibility of a national agreement on employer-worker relations, hours of work, and wages. Unless these discussions lead to some form of permanent organization like that which is successfully operating in Holland they cannot be of much use. This Dutch agreement has resulted in a national wages structure based on a minimum family budget with additions for skilled labour, and it is maintained by a Board of Conciliators, who, besides having wide powers in ordinary industrial negotiations, are also arbitrators, and can fix wages. One of the chief obstacles to such a policy here is the multiplicity of trade unions, mostly of British origin who are strongly influenced by the traditional British trade union objection to any national control of wages, or arbitration in respect thereof. This British influence is apparent in the Verolme shipyard dispute where a few key men, who belong to six British unions, out of some 700 men employed, are on strike because the ship-building agreement between the company and three Irish-based trade unions gives those bodies sole negotiating rights. The Verolme agreement implies an acceptance by both sides of the European principle of one union for each industry instead of the multilateral system of several unions, and numerous agreements, which now operates in British, and most Irish industries. The Verolme dispute is also of importance because it exemplifies the basic discord

\* See THE ROUND TABLE, No. 203, June 1961, p. 294.

between the Irish-based and British-based trade unions—a discord arising as much from inter-union rivalry, and a fundamental difference of approach, as from a difference between management and workers. Some of the British-based unions who condemn the Verolme dockyard for seeking to limit the number of unions with whom agreements are to be concluded are themselves rigidly applying closed-shop policies in other Irish industries. The result of this dispute will decide whether the Verolme company can adopt modern production methods, including a proper apprenticeship training scheme, or whether they will have to adopt the piecemeal methods which have resulted in constant demarcation disputes and are destroying the British ship-building industry. The Verolme management is courageously tackling a general production problem which the whole British ship-building industry, including Belfast, must deal with if it is to survive.

### Industrial Developments

**I**N spite of these dark clouds on our industrial horizon there are many hopeful developments. Encouraged by official advice and assistance some forty-five new undertakings, mostly of foreign origin, have begun production here during 1960. Together they represent an investment of over £9 million in Irish enterprise and they are expected ultimately to give employment to between 5,000 and 7,000 operatives. These new industries are given direct financial aid in setting up their plants and training workers, they are also exempt from income tax and profits tax for twenty years, and are partially exempt from local taxation. At the Shannon Airport Free Industrial Zone, Germans, Americans, British, Dutch, Japanese, Rhodesians and South Africans have taken full advantage of the "open house" provisions made there for their advantage. This complete reversal of the Government's former policy that "no foreigner need apply" is naturally resented by the long-established Irish manufacturers, particularly as the aid given to these foreign projects is costing the State more than the total of the foreign investment resulting therefrom.

The most recent statistics show that the upward trend in trade continues, as does that of the trade deficit. The fourth report on the progress of the programme for economic expansion shows that the gross national product has risen by about 10 per cent in the two years since it began. This compares favourably with an average annual rate of 1 per cent during the previous period 1949-59. The Grain Board has fortunately succeeded in disposing of all the unmillable wheat left over from the disastrous 1960 harvest. Although industrial production continues to grow, especially in our heavier industries, there are serious difficulties ahead owing to the wage demands and industrial unrest already referred to. Attention is also being given to the important tourist industry, which is responsible for one-sixth of our total external receipts. We are in fact more dependent upon this source of external revenue than any other country in Europe. During 1959 £35½ million was spent by tourists in Ireland and there is no more efficient way of exporting goods. Moreover this industry has a high labour content and is diffused throughout the whole country. Here again Great Britain is our best customer.



Progress has been made in tourist development but there is still a great deal to be done in respect of publicity, accommodation, road development and a longer season. Within its comparatively limited resources Bord Failte (the Tourist Board) is efficiently tackling these problems.

### Political Events

OTHER political events have been overshadowed by the Common Market crisis. President de Valera, after consulting the Council of State, a non-partisan body of present politicians and elder statesmen, referred the new Electoral Bill to the Supreme Court who declared it to be valid.\* A general election will take place in October. The questions answered by the court concerned the meaning of various sections in the Constitution drawn up by Mr. de Valera in 1937. The situation was not without its humorous aspect, for he was in effect asking for a post-mortem on his own child.

The European Court of Human Rights have rejected the claim for damages made by Mr. Gerald Lawless, a 26-year-old lorry driver, against the Irish Government in respect of his detention without trial in 1957, on the grounds that the Government's action was justified by the dangerous situation created by the I.R.A. at that time. They held that the detention of Lawless was permissible under Article 15 of the Human Rights Convention which permits detention in case of war or other public emergency.† This is the first judgment by an international court in a dispute between a State and one of its own nationals.

On the Northern border the I.R.A. continue their sporadic and futile attacks. In a recent speech Mr. Lemass referred to what he described as the contrast between the economic situation in Northern Ireland and the dynamism which he said was developing in the Republic, between "their despondence and our optimism". He added that "the bread of charity is never filling". To these rather tactless remarks Lord Brookeborough tartly replied that the Republic was itself a very considerable recipient of British charity, and that though we had cut adrift from the Commonwealth we had not refused the continuance of Commonwealth privileges for our trade and citizens. Our economy would, he said, be in a very sorry state if we had not free access to Britain for our emigrants, and to the British and Commonwealth markets for our goods. He might have added that the population of Northern Ireland (six counties) is now more than half that of the Republic's twenty-six counties, and that the new jobs provided in Northern Ireland during the last five years far outnumber those provided by new projects in the Republic.

Speaking at the Patrician Congress in June Mr. Lemass bravely proclaimed that there is in all countries a crucial struggle for the minds and souls of men from which we know we cannot remain aloof and in which all who know and accept the truth must be prepared for a continuous battle in which the Irish people are ready to take more than their share of the burden. Mr. Aiken, the Minister for External Affairs has, however, more modestly

\* See THE ROUND TABLE, No. 203, June 1961, pp. 292 *et seq.*

† Ibid., pp. 293, 294.

defined our aims as being to reduce the risk of nuclear war, to create a world authority with power to deal with breaches of the peace, the establishment with the help of other small nations of a recognized international morality, the creation of "areas of peace and law" between the great powers, and an agreement to prevent the further spread of nuclear weapons. As we continue to refuse to join N.A.T.O. Mr. Aiken's attempt to stand on the "side lines" would seem to represent the Government's mind more accurately than the rather flamboyant rhetoric of Mr. Lemass.

### Visitors and Celebrations

**D**URING the last three months we have had a succession of remarkable visitors. President Bourguiba of Tunis, President Sukarno of Indonesia, Herr von Brentano, the German Foreign Minister, Mr. Soames, the British Minister for Agriculture, and finally Prince Ranier and Princess Grace of Monaco, who was perhaps better known as Miss Grace Kelly and whose grandfather came from Mayo. The prince and princess were given a State reception at Dublin Castle. Their visit, the first of its kind in the Irish State, evoked a remarkable display of popular enthusiasm, due not only to the romance of the princess's career, but also to the fact that such occasions bring unusual pageantry and colour to our lives. The fact that Monaco provides one of the most ludicrous examples of partition in modern Europe was fortunately overlooked.

Presided over by the distinguished Armenian prelate, Cardinal Agagianian, the Papal legate, a special Congress was held in Dublin during June to commemorate the fifteenth centenary of St. Patrick's death. No one, however, seems to have pointed out the main lesson of Patrick's life. Captured at his home in Britain when a child by Irish marauders he spent his youth here as a slave. Yet when he eventually escaped he devoted the rest of his life to the conversion of Ireland, thus acting as a good neighbour, returning good for evil. We are at least united in claiming that his teaching is the greatest heritage of *all* the Irish people. It would perhaps be well if we sometimes followed his example.

Ireland,  
August 1961.

# PAKISTAN

## PRESIDENT AYUB AND PRESIDENT KENNEDY

THE immediate and spectacular results of President Mohammad Ayub Khan's visit to Washington have been to check the recent deterioration in Pakistani-American relations and to project a new and clearer image of this country on the American mind. Originally Ayub was scheduled to meet President Kennedy in November this year. But the process of disenchantment and disillusionment in Pakistan over Washington's so-called neo-idealism, with its strong bias to glorifying neutralism in Asia, had gained such a momentum as to call for some immediate action. So at the suggestion of the U.S. Vice-President, Mr. Lyndon Johnson, the visit was advanced to July. How fruitful it has actually been only time will tell. A good deal depends on the extent to which America lends her weight in resolving the Kashmir issue. Nevertheless there is an evident sense of relief in this country that things have not turned out to be so bleak as they looked in the last few months, as also a general satisfaction that President Ayub has faithfully and forcefully presented Pakistan's case in America.

A proper assessment of Ayub's visit to Washington can only be made by first enumerating the factors which produced grave misgivings in this country with regard to new orientations in American policy in Asia. It is indeed a prodigious step from regarding neutralism as something "sinful" to discovering it as an effective proposition to counter Communism. Even conceding that in the context of America's global strategy such a reappraisal was necessary, or even inevitable, the fact remains that the suddenness and the abruptness with which she turned to it had a most unsettling effect on her Asian allies. What had begun as a somewhat hesitant trend in American policy in the later days of the Eisenhower régime developed into one of its most strident notes with the assumption of office by President Kennedy. The gusto with which America's association with C.E.N.T.O. and its participation in S.E.A.T.O. were debated and questioned in responsible American quarters dismayed the people of this country. It was naturally asked here that if a premium was put on neutralism in Asia where was the justification for Pakistan to run the risks involved in its commitments with Western defensive alliances? To talk of Pakistan's participation in the Laotian crisis, and to let India play the rôle of the peace-maker, may be justified on grounds of expediency, but it certainly does not and cannot make sense here. Hence the acid comment of a leading Pakistani paper: "Pakistan as a S.E.A.T.O. member fell into the background and those who have been sitting on the fence, and enjoyed the best of both the worlds, came into prominence and became the chief performers on the stage."

The dualism and contradictions inherent in such partiality towards neutral countries became all the more marked with the proposed amendment to the U.S. Arms Act which, if carried through, would empower the American Administration to supply arms to whomsoever it chooses, be it an ally or a

neutral. In the context of the situation obtaining in the sub-continent, Pakistan could not but be alarmed at such a prospect, which in the words of President Ayub would "open the floodgates of armaments to India" whose armed strength is already three times that of this country and which was being augmented by supplies from Russia. With only twelve to fifteen per cent of the Indian Army facing China and the rest poised against Pakistan, and with suspicion and hostility, arising out of the Kashmir dispute, between the two countries unabated, any increase in India's striking power would make Pakistan more insecure. President Ayub was right in pointing out that it was difficult to explain to Pakistanis a situation where "people like us who are in open friendship with the United States" and who have, as such, taken on "certain added commitments" are put on a par with those "who do not assume any commitments".

But that was not all. Pakistan was in for some more severe jolts. The same Western Consortium which had committed itself to aid India to the extent of 2,280 million dollars for the first two years of her Third Five-Year Plan promised only 320 million dollars for the second year of Pakistan's Second Five-Year Plan. Pakistan needed 945 million dollars in foreign loans and grants for the next two years. The Consortium's contention that it had not enough detailed information to make large and long-term commitments was refuted by the Finance Minister, Mr. M. Shoaib, who held that the Consortium had enough data to enable it "to go ahead with the full two years' requirements" of Pakistan.

It would be wrong and misleading to see a fly in every ointment and to hunt for some sinister motive in every Western move. It cannot be gainsaid that Pakistan's Second Five-Year Plan underwent quick and successive revisions. This might have led the Consortium to make the commitments it did to Pakistan. Nevertheless there was a widespread belief that such hesitant and tentative aid was actuated by political considerations.

Unfortunately the prevailing atmosphere of suspicion and disquiet in Pakistan was such that it was difficult to reach any other, and perhaps more rational, conclusion. Public opinion in the country was much agitated over Vice-President Lyndon Johnson's assertion that "at President Kennedy's request" he had "urged Mr. Nehru to extend his leadership to other areas in South-East Asia". What Mr. Johnson had actually intended has since been satisfactorily explained, but not before much damage had been done. One editorial comment even suggested that behind all this "there may well be taking shape a design against the continued existence of Pakistan as a sovereign State". It wondered whether in America "a movement has been started already for its (the Indo-Pakistani sub-continent's) political reunification". It referred to the book *Russia, America and the World* in which the noted American author and journalist, Louis Fischer set forth a plan for "undoing much of the evil of partition". What Fischer had envisaged was that India and Pakistan should join together in a confederation and agree to make Kashmir the third member of it which could also become the common capital of the two countries. Fischer said:

Confederation would correct the 1947 blunder of allowing religious policies



to sever India from Pakistan. Many officials and citizens of both countries have discovered that the expected benefits of bisection were illusory. Their disappointment reveals more clearly the chasm between the grim reality of national independence and the dreams of golden glory which preceded it.

It might be argued that it is wrong and unpermissible to attach such disproportionate importance to the views of a private individual, however important. But it seems that Fischer was not alone in advocating such a course or else President Ayub would not have felt it necessary to warn the joint session of the American Congress against such wishful thinking. He told the Senators bluntly:

I would like you to understand that the demand for the creation of our separate homeland was not based on a doctrine of bigotry, intolerance or anything like that. The whole object was to escape those things to the extent possible. That really is the genesis of the story of Pakistan.

And again the following day—July 13—when he was asked a question at the American National Press Club, “whether there might be a reunification between India and Pakistan in foreseeable future or desirable” he was forthright in rebutting such assumptions.

Didn't you hear the argument I gave (at the joint session of the Congress) why we separated. And in the light of that do you think there is a fair expectation? . . . Reunification or confederation, I know a friend of mine, Louis Fischer, has been talking about. I met him in Karachi the other day. All you do is to take on each other's weakness. No. The answer is an honourable friendship as two free, independent countries.

It was against such a perplexing and unfavourable background that Ayub undertook his mission to Washington. Judging from the joint communiqué and the accolades that he got from different sections of American opinion, he and President Kennedy have undoubtedly stopped the rot in Pakistani-American relations. On several occasions, both in America and later in Pakistan, Ayub spoke of the “very interesting and very satisfactory” discussions he has had with Kennedy, as a result of which “our area of agreement over many points had enlarged”.

The joint communiqué itself corroborates such an estimate of the parleys between the two leaders. It said:

The two Presidents agreed that this their first meeting had greatly enhanced the understanding between the governments of Pakistan and the United States and has contributed substantially to continuing close co-operation between the two countries.

The communiqué also affirmed President Kennedy's desire “to see a satisfactory solution of the Kashmir issue” and he expressed his hope “that progress towards a settlement would be possible at an early date”. Even though the communiqué is rather vague on the Kashmir issue, it is interpreted as a distinct advance on the joint Ayub-Eisenhower communiqué issued in Karachi on December 10, 1959, which severely eschewed any reference to this intractable issue. Moreover, there is trustworthy evidence

that in the conversations between the two leaders, President Kennedy was considerably more emphatic in expressing his desire to bring about a settlement of Kashmir than the language of the communiqué would suggest.

On the proposed amendment to the U.S. Arms Act, Pakistan has been assured that the intention behind it was to supply arms to the newly independent countries of Africa so that they might not fall under the Soviet influence and that there was no intention of disturbing the balance of power in the sub-continent by supplying arms to India, unless there was such a deterioration in Sino-Indian relations as to pose a threat to the security of the sub-continent. In any case Pakistan would be consulted in case of American arms supplies to India. The United States has also promised that adequate funds would be forthcoming for an effective implementation of Pakistan's development projects.

In the light of these developments public opinion in Pakistan is satisfied, but at the same time watchful. The belief that the country has been taken for granted by the West has struck deep roots. As such there is insistent and popular demand that Pakistan, while remaining friendly to the West, should at the same time strive to ease her tensions with Communist countries. Accordingly, President Ayub's statement in Washington that Pakistan's support for the admission of Communist China to the United Nations was "almost certain" has been widely acclaimed. It is indicative of a new degree of independence in Pakistan's foreign policy. The country is earnest to have close and all-round co-operation with the West, but she is well and truly advised not to "let her guards down".

Pakistan,  
August 1961.

# CANADA

## INEFFICIENT ADMINISTRATION

THE fourth session of Canada's 24th Federal Parliament, which with 157 sittings to its credit has been the longest on record, has not been prorogued but adjourned till September 7. Once more the Government's management of Parliament's business has been very inefficient, with the result that a substantial volume of legislation awaits passage and the estimates of about half of the twenty-four departments have not been touched. So Parliament will be summoned back in September to finish its sessional program—unless its life is extinguished by the decision of Prime Minister Diefenbaker to carry out his threat to appeal to the voters for a mandate to reform the Senate. Dominant Liberal majority has incurred his displeasure by challenging his Government on two serious issues, the fate of Mr. James Coyne, the Governor of the Bank of Canada, and the bestowal of arbitrary powers for rulings on tariffs upon the Minister of National Revenue. By-elections held on May 29 for four seats hitherto held by the Government encouraged the Progressive Conservatives to believe that the ominous decline in their popularity has been checked. They had been reconciled to losing two out of the four, but they contrived to retain three of them. The results of the latest Gallup poll held in June reflected the deplorable confusion into which Canadian politics have fallen, for they revealed that no less than 32 per cent of the voters tested were undecided about their preferences; but the Progressive-Conservatives derived considerable comfort from them, because, whereas their quota of firm support had fallen from 38 to 28 per cent, the quota of the Liberals, who had been running ahead of them, had slumped badly from 43 to 23 per cent. Moreover, there have been distinct signs of an increase of economic activity and the number of unemployed showed in May a sharp reduction to 341,000 from the peak figure of about 750,000 recorded in March.

But on the other hand certain adverse factors suggest that an early election might be a dangerous venture. Undoubtedly the prestige of the Government and especially that of Mr. Fleming, the Minister of Finance, have been badly damaged by the charges about the muddled ineffectiveness of its policies made by Mr. Coyne and given widespread publicity, and refutation of some of them will be difficult. Then the certain consequence of the severe drought, which has wrought such havoc with the grain crops and pastures of the three prairie provinces that a poor yield of grain and forced sales of livestock are inevitable, will be a serious reduction of rural purchasing power in the West, which will have an adverse effect upon the whole national economy. Moreover the last severe western drought occurred under the last Tory Ministry, headed by the late Lord Bennett in the period 1930-35, and the western grain-growers are now reported to be saying: "The Tories are back in power at Ottawa and they have brought back the drought." Furthermore, it is hard

to see how Mr. Diefenbaker can make reform of the Senate the dominating issue of an election. All the political parties are agreed that a Senate to which appointments are made for life by the Government of the day and in which the minor parties have no representation is an archaic and unsatisfactory Upper House, whose drastic reform is desirable; and the only controversial issue would be about the plan of reform to be adopted. So the parties in opposition would probably be able to divert the attention of the voters to other issues like the huge budgetary deficit, unemployment, the increases in tariff protection made for the benefit of the domestic manufacturers and the Government's unhappy relations with the Macmillan Ministry in Britain. The *Toronto Globe and Mail*, which nowadays gives only intermittent support to the Diefenbaker Ministry and often criticizes its policies very sharply, has made a strong editorial pronouncement against any attempt to make reform of the Senate the chief issue of an election, and it reminds the Government that it has made no move to fulfil its pledge to produce a workable scheme for its reform.

### The Budget

THE Federal Budget, which the Minister of Finance submitted belatedly on June 20, fulfilled predictions that it would show a large deficit for the fiscal year 1960-61 and forecast a much heavier one for the year 1961-62. The yield of the Federal budgetary revenues for 1960-61 was placed at 5,616 million dollars, which was 316 millions above the figure for 1959-60, but since total expenditures had risen by 259 millions to a total of 5,961 million dollars, there had been a deficit of 345 million dollars, which meant that Mr. Fleming's forecast in his last Budget speech of a small surplus of 12 million dollars had been far astray. He had based it on the assumption that in 1960 the value of gross national production would rise by 6 per cent, but owing to the recession in economic activity the actual rise had been only 3 per cent.

It was only after long deliberation that the Diefenbaker Ministry had decided that extrication from the recession, which had begun in 1960 and had produced serious unemployment, required an expansionist Budget even if it involved a huge deficit. So Mr. Fleming explained that the objectives of his budget were an appropriate blending of financial and fiscal policies for the stimulation of domestic production, the enlargement of employment, the expansion of export trade and the attainment of a more dynamic pace of growth and balanced development for all sections of the national economy and all regions of the country; and he indicated that time would be needed for its fruits to materialize by keeping his estimate of the growth of the value of gross national production in 1961 down to 3 per cent.

After making allowances for a loss of revenue, which the proposed new financial arrangements with the provincial governments would cause, and some modest reductions in taxation, he estimated that in 1961-62 the yield of the Federal budgetary revenues would rise by 155 million dollars to a total of 5,765 million, but, since he had been unable to prevent the total expenditures from climbing by 464 million dollars to a total of 6,415 million, he had



to offer a grim forecast that the budgetary deficit for the current fiscal year would be 650 million dollars. But he also disclosed that on non-budgetary accounts relating to the Canadian National Railways the exchange fund, housing loans and other commitments would produce an additional deficit of 330 million dollars, and since he presented his Budget he has tabled supplementary estimates for 1961-62 amounting to 20 million dollars. Accordingly the prospective deficit for the year is at least 1,000 million dollars, which is nearly double the figure for the total expenditures of the Federal Government in the last fiscal year before World War II, 539 million dollars.

But perhaps the most important feature of the Budget speech was its definite announcement that the time had arrived for "an appropriate downward adjustment" of the exchange rate of the Canadian dollar, because its level had been weakening the competitive position of Canadian producers in both domestic and foreign markets. Mr. Fleming explained that the adjustment aimed at would be achieved, not by governmental controls and restrictions, but by the provision of powerful incentives for a reversal of the present trends of trade and by operations of the Exchange Fund, which would be prepared to increase by substantial amounts when necessary its holdings of American dollars by purchases in the market for exchange. He did not, however, disclose what has now been revealed, that before the Budget the exchange fund had already been used to buy American dollars with the aim of reducing the premium on the Canadian dollar. The progress achieved by this move was slight until the Minister announced the Government's decision to devalue, but within a week the premium on the Canadian dollar had been transformed to a discount of  $3\frac{1}{4}$  per cent in relation to the American dollar. At the time of writing it is  $3\frac{3}{8}$  per cent. The impact of the devaluation has already been felt in various directions; it has increased materially the earnings of Canadian newsprint companies and producers of gold, nickel and other minerals, whose chief market for their output is in the United States, but it has also halted purchases of Canadian bonds by American investors and caused a rise in the price of a wide variety of imported goods, which is bound to increase the cost of living and eventually create demands for higher wages.

For the encouragement of industrial activity the Budget proposed an increase of 50 per cent in the first year in the rates of allowance for capital costs now available for new assets acquired between the date of the Budget and March 1, 1963. It will be granted to all companies and individuals eligible for allowances for depreciation by the so-called method of diminished balance; and it can also be added to the special double allowance for depreciation previously offered to promoters of enterprises which will manufacture goods hitherto not produced in Canada, or are started in certain designated areas where unemployment is serious. Authority is also sought in the Budget for an expansion of the activities of the Industrial Development Bank, a subsidiary of the Bank of Canada, whose predominant business so far has been the provision of loans to small businesses. There is to be a very substantial enlargement of the capital allotted to it and the scope of its operations is being extended to include larger enterprises. Then, for the stimulation of

research, funds subscribed to foundations established in Canada for the employment of all their resources in industrial research will hereafter be deductible from income taxation.

Since the devaluation of the Canadian dollar supplied the domestic manufacturers with increased protection against foreign competition, it gave the Government an excuse for refraining from any fundamental alteration in the main structure of the customs tariff, which would have been unpalatable to its western supporters, but a number of changes in it, mostly of a minor nature, were proposed in the Budget. Through negotiations with other countries, which subscribe to the General Agreement on Trade and Tariffs, Mr. Fleming was able to propose the implementation, with a few exceptions, of the recommendations made by the Canadian Tariff Board in three separate reports covering (1) wool clothing and manufactures, (2) hosiery and knitted goods and (3) lace and narrow fabrics like ribbons; but the changes will not seriously affect imports from Britain. It was also announced that the Government intends to negotiate with other countries an upward adjustment of duties on a list of commodities like lawn mowers and paper twine; but a balance is to be preserved in Canada's total commitments under GATT by equivalent concessions on goods like motor cycles. There are as usual a substantial list of amendments of the tariff, mainly for the purpose of clarification of items or for administrative convenience.

The Government had available the report of Professor V. W. Bladen of the University of Toronto, who had been appointed as a Special Royal Commissioner for an investigation of the problems of Canada's motor industry. The Budget implemented one of its recommendations—for the abolition of the existing excise duty of  $7\frac{1}{2}$  per cent on passenger cars—and Mr. Fleming hinted that another recommendation of the report for duty of 10 per cent on imported cars might be carried out.

Significant measures of legislation passed were Bills which authorized the establishment of a National Productivity Council, committed the Federal Government to pay 75 per cent of the cost of new or enlarged technical schools built by provincial authorities, and restricted coastwise trade between ports on the inland waterways of Canada to ships of Canadian registry. But the promised amendments to the Unemployment Insurance Act and the Bill implementing the new fiscal arrangements with the Provinces were left over and the revision of the Immigration Act was again postponed.

Mr. Howard Green, the Secretary for External Affairs, has largely by his assiduous work for disarmament at meetings of the U.N. secured the continued support of the Opposition for most of his actions and policies; but a profitable bargain for a large sale of Canadian grain to Communist China has increased pressure for Canadian recognition of its Government, which he has resisted. Colonel Harkness, the new Minister of National Defense, has imparted fresh vigor to the administration of his department, but it is still the target of criticisms that the country is not getting adequate value for its huge expenditures on armaments. Three years ago the Diefenbaker Ministry, having decided that more reliance should be placed on missiles than on fighter planes for Canada's defense, cancelled a contract with the Avro Company of

Toronto for a fleet of such planes, but it has now changed its mind and made a bargain with the Kennedy Administration, under which a number of the same type of planes will be built for the Canadian Air Force by American Aircraft companies.

### Battle of the Bank

IN the closing weeks of the session the atmosphere on Parliament Hill became almost tempestuous as the result of a headlong clash between the Diefenbaker Cabinet and Mr. James Coyne, Governor of the Bank of Canada since 1953; and its outcome was his forced resignation. Mr. Coyne in his annual report and in a series of speeches had been warning the Canadian people that they had drifted into a dangerous situation. He had argued that they had been living beyond their means and promoting through heavy borrowings abroad the expansion of industries to a point where adequate markets for their output were not available, that the results had been unused productive capacity, serious unemployment and a much larger imbalance in transactions with the United States than Canada could afford and that drastic measures of austerity were needed to restore the health of the national economy. He had also submitted to the Government a program of the remedies which he advocated; they were distinctly restrictionist in character and included a sharp curtailment of borrowing abroad, and a general increase of 10 per cent in the tariff, to be reduced by instalments until it was wiped out. Inevitably his speeches embarrassed the Government, but it did not endorse criticisms of them offered by prominent Liberals like Mr. Paul Martin until March 1961, when Mr. Fleming requested Mr. Coyne to stop such pronouncements and he complied with the request. But after the Cabinet had decided upon an expansionist budget Mr. Fleming asked Mr. Coyne for his resignation on the grounds, as he explained later to the House of Commons, that the proposals of the Budget were at variance with Mr. Coyne's ideas and that his pronouncements on policies had destroyed any prospect of the co-operation of the Bank of Canada, as long as he was head of it, in achieving the aims of the new Budget. Simultaneously the directors of the Bank of Canada, who are mostly nominees and partisans of the present Government, passed with one dissentient a resolution demanding Mr. Coyne's resignation. Mr. Coyne, whose term of office expired on December 31, refused to resign, contending that he held his post on the condition of good behaviour and had been guilty of no misconduct, that he had never refused his co-operation in promoting the policies of the Government and that it was unfair of Mr. Fleming to assume that his co-operation would not be forthcoming for the new Budget when he had been given no chance to appraise its proposals.

Acrimonious exchanges between Mr. Fleming and Mr. Coyne in letters and statements in Parliament and to the press followed, the former stating among other things that the Government had been disturbed by the recent discovery that in February 1960 Mr. Coyne's pension had been increased by the Bank's directors from \$12,000 to \$25,000 per annum. Mr. Coyne and the Bank were responsible not to the Cabinet but to Parliament and, faced with his refusal to resign, the Government introduced a short Bill,

which declared the governorship of the Bank of Canada vacant. The Liberals, whose leader Mr. Pearson said that Mr. Coyne's position had become untenable, and the C.C.F. agreed that the Government was justified in dismissing Mr. Coyne because he had been prescribing policies which were outside the sphere of his duties; but they obstructed the passage of the Bill for several days to insist without success that Mr. Coyne be granted his wish to appear before the Banking and Commerce Committee of the House of Commons and defend himself. In retrospect there is a strong argument that the refusal of this request was a serious error on the part of the Government for which it paid dearly. If Mr. Coyne had appeared before the Banking and Commerce Committee of the Commons, there was in it a ministerial majority, which included some able and experienced lawyers, who could have cross-examined him effectively. But, when the Bill was sent to the Senate, its dominant Liberal majority lost no time in referring it to its Banking and Commerce Committee, and providing in its hearings a free forum for Mr. Coyne to present his case. He occupied no fewer than 14 hours in depicting himself as the victim of a vindictive political persecution and in making with chapter and verse a comprehensive indictment of the alleged weaknesses and follies of the Government's policies. He went so far as to describe Prime Minister Diefenbaker as "an evil genius" and to accuse the Minister of Finance of deliberate falsehoods. Unfortunately for the Government it had among its small following in the Senate nobody who could deal competently with Mr. Coyne's bitter arraignment. So the Banking and Commerce Committee of the Senate by a majority of 19 to 6 proceeded to acquit Mr. Coyne of any misconduct and reported against the Bill, and the Senate in full session killed it by a vote of 33 to 16. Thereupon Mr. Coyne, satisfied that his actions had been vindicated, fulfilled a promise made in his speech to the Committee that he would resign as soon as its verdict was known. This very unfortunate affair has produced a nationwide controversy in the press. While the Government is not condemned for trying to get rid of Mr. Coyne, there is severe criticism, even by papers like the *Toronto Globe and Mail*, which favored his dismissal, about the way in which it was carried out.

### The Common Market

IT was only natural that apprehensions should be aroused in Canada about the probability that the British Government as part of the price of admission to the European Economic Community would have to cancel the tariff preferences now available to Canadian goods in the British market, because their withdrawal could hardly fail to result in an immediate serious curtailment of Canada's export trade, and Canadian Ministers had made no secret of their strong objections to such a change. Prime Minister Diefenbaker had spoken of "unfair interference" with Canada's trading rights in the British market and demanded that, before any definite commitments about entry to the E.E.C. were made by the British Government, the problems involved should be discussed at a full-dress Commonwealth Conference. Mr. Fleming in his Budget speech had declared that "this historic right of free access for the Commonwealth to the British market for agricultural products,



industrial materials and most manufactures is the keystone of the Commonwealth trading system".

The official communiqué issued after the discussions on the whole question held by Mr. Duncan Sandys with certain Canadian ministers in mid-July referred to the great concern felt by Canada about Britain's negotiations for entry into the E.E.C. and to the guarantees given by Mr. Sandys that his Government had not yet made a final decision about its policy and would, if it embarked upon definite negotiations, consult fully with the other governments of the Commonwealth about their implications. But a further statement that Canadian Ministers had indicated that their assessment of the situation was different from that put forward by Mr. Sandys made it clear that he had made no real headway towards their conversion to acquiescence in Britain's entry to the E.E.C.

But the Diefenbaker Ministry would have been in a stronger position to oppose this policy if since it came to power it had not shown a minimum of concern for British interests in Canada. At the recent annual meeting of the Canadian Association of British Manufacturers its President, Mr. K. D. Morley, after enumerating a catalogue of complaints about Canadian policies, charged the Diefenbaker Ministry with steadily whittling down the preferential advantages enjoyed by British goods in the Canadian market, while insisting that preferential treatment for Canada's exports must be fully preserved. The moves detrimental to British interests include a higher valuation on British cars for customs duties; the exclusion of British shipping from participation in coastwise trade between ports on the inland waterways of Canada; a ruling that large electric-turbo generators are goods of a class or kind made in Canada, which will through the incidence of higher duties on them affect adversely British exports valued at 20 million dollars per annum; and an organized "Buy Canadian" campaign, whose literature suggests that Britain is one of the "low wage" countries, whose exports are particularly damaging to the Canadian economy. However, certain influential newspapers like the *Toronto Globe and Mail* and the *Ottawa Journal* have been arguing that it might be unwise to press protests against British trading policy too strongly and that some consideration should be given to the possibility that, if admission to the E.E.C. made Britain more prosperous, she would be a better customer for Canada's exports and that exclusion from it might make her a poorer one.

### The Smaller Parties

THE two minor political parties of Canada are also setting their houses in order for the next Federal election. The Social Credit Party, which controls the provincial governments of Alberta and British Columbia but had its representation in the Federal Parliament wiped out in 1958, held at Ottawa early in July a national convention attended by some 600 delegates for the purpose of electing a new leader and evolving a revised program. When Premier Manning of Alberta and Premier Bennett of British Columbia refused to accept the Federal leadership of the party, the delegates on the first ballot entrusted it to a political novice, Robert N. Thompson of Red

Deer, Alberta, in preference to two rivals who had sat in the Federal Parliament. Mr. Thompson, who was for some years a missionary teacher in Abyssinia but is now practising as a chiropractor in Red Deer, is a good speaker with an attractive personality; and he has been given a deputy leader in Mr. Raoul Caouette, a French-Canadian, who was one of his opponents. The program endorsed by the convention was a curious patchwork, whose proposals included the abolition of unemployment insurance, an increase of old age pensions, the decentralization of government, and a plan of monetary reform, which had obvious overtones of inflation.

But a more formidable challenge to the two senior parties is expected to come from the new Leftist party, which has been formed by an alliance between Canada's Socialist party, the C.C.F., and the Canadian Labor Congress, to which most of the trade unions adhere. At a national convention of potential supporters which opened at Ottawa on July 31 it took the name of the New Democratic Party and chose as its leader Mr. T. C. Douglas, a Scot, who has been a very successful Premier of Saskatchewan since 1944. His only serious opponent was Mr. Hazen Argue, the present leader of the C.C.F., who being a farmer had considerable agrarian support. But Mr. Douglas has advantages which were decisive in the contest, in his nationwide prestige, his proved ability as an administrator and the backing of Mr. Claude Jodoin, President of the Canadian Labor Congress and prominent leaders of the C.C.F. The problem of drafting a program calculated to satisfy both the agrarian and the labor elements in the new party will present great difficulties, because Canadian farmers blame labor's demands for high wages for raising their costs of production and many of them, who have been supporting the C.C.F., are fearful that the delegates of labor will have a numerical superiority at the convention and will impose on the new party a program which will show more concern for the interests of the urban workers than for those of the farming community.

Canada,  
August 1961.

## SOUTH AFRICA

### REPUBLICAN DEBITS AND CREDITS

IT is ten months since South Africa, by a narrow majority of White voters, decided to become a republic. It is five since she realized, with varying degrees of shock, that she would then cease to be a member of the Commonwealth. And the Republic has been in existence for three months. Judgments based on such short periods must be speculative, but two reasons make it worth while to assess the present fluid condition in which the Republic finds herself: the fluidity is itself the result of trends that were observable for some years before the constitutional change; and that change in no way altered the fundamental nature of South Africa's problems, though it has affected the economic and political atmosphere in which solutions must be found.

During the campaign that preceded the referendum in October 1960, the Nationalist Party laid stress on two points that were calculated to reassure doubting supporters as well as opponents of the Government. The first was the unwarranted assertion that the Republic would undoubtedly remain in the Commonwealth; and the second, even more persuasively argued, was that once Afrikaner Nationalists had achieved their emotional goal, party discipline could be relaxed and criticism of government policy would no longer be regarded as a kind of high treason that might delay the coming of the Republic. Moreover, South Africans of British descent would no longer look to Britain as their mother country but would give undivided allegiance to their only home, South Africa. In this new and relaxed atmosphere, it was confidently asserted, white South Africa would be able to tackle her race problems with some hope of success. The Republic would, as it were, remove the psychological inhibitions that had hitherto prevented whole-hearted co-operation between the two white groups.

Those voters who subdued their doubts and helped to give the Government a majority at the referendum had their first illusion shattered by the Prime Ministers' Conference in March 1961. There is some uncertainty about what really happened in London, but none about the result. That South Africans who had fought alongside Commonwealth troops in two world wars should, in effect, find themselves evicted from the Commonwealth was a blow to their pride and to their sentiments, and it left them with a feeling of insecurity and a conviction that they had been bamboozled by the Government. This feeling was not confined to English-speaking South Africans, and it will not die down in a hurry. The disillusionment was all the greater when the Government, with what seemed to many like indecent haste, set about preparing for the inauguration of the Republic by pulling down public symbols of royalty and signs of connexion with Great Britain. This was odd, coming from a political party that has continually emphasized the importance

of symbols and might therefore have been expected to recognize their value in the eyes of English-speaking South Africans.

The second pre-referendum argument proved no more valid than the first. This is hardly surprising since it is based on three fallacies: that those who had used Afrikaner nationalism to achieve power would deliberately jeopardize that power by relaxing party discipline; that English-speaking South Africans habitually turned to England in time of need; and that race policies were still susceptible of solution by the two white communities of South Africa without consultation with non-whites. About the second fallacy it need only be said that the days have long since passed when any South Africans referred to England as "home". South Africans of British descent are bound to Britain by ties of friendship and blood and by affection for traditions held in common. These are as strong as they ever were, and are likely to remain, despite disagreements, as long as Britain continues to represent a way of life that many South Africans regard as closely akin to their own.

For a few months after the referendum it seemed as if the theory of relaxed party discipline was being proved correct. A number of Afrikaner scholars and churchmen began openly to question both the policies and the leadership of the Nationalist Party. Eleven prominent Dutch Reformed Church leaders published a scathing attack on *apartheid* as unchristian. A conference of Protestant churchmen and laymen, including representatives of two of the three Afrikaans churches, held at Cottesloe in Johannesburg, issued findings which showed a clear trend against *apartheid*. And, coming on top of these two startling events, the Cape Town Nationalist Party newspaper, *Die Burger*, put forward a plea for reassessment of *apartheid* in so far, at any rate, as it concerned the Cape Coloured people. Afrikaner scholars, particularly at the Cape, entered the fray with enthusiasm and argued that Coloured voters should be represented by Coloured M.P.s; that an imaginative effort to build up the Native Reserves was necessary to convince the world and, not least, Nationalists themselves, that the intention to implement positive *apartheid* was genuine; and that there should be some form of representation for those Africans who, no matter how much the Reserves were rehabilitated, would always live in European areas.

### Forestalling Revolt

AS the Prime Minister, Dr. Verwoerd, realized, all this was heady stuff, and he clamped down hard on the incipient revolt. In a New Year's message to the party he warned all true Nationalists that the enemy of Afrikanerdom was up to its old tricks of *divide et impera*, and, as always, was using Afrikaners to do the dirty work. He indicated clearly that he would have no truck with any watering down of *apartheid* and that he would shortly announce plans by which the Coloured would be able to govern themselves in their own areas. Just before the parliamentary session of January 1961, the Federal Council of the Nationalist Party issued a statement supporting Dr. Verwoerd in great detail. It is possible that in this instance, and indeed on other occasions, the Council may have received advice from, rather than given advice to, the Prime Minister.



The churchmen and the scholars were silenced for the time being, and the Government proceeded to demonstrate the third fallacy in its pre-referendum argument, that it was still possible in 1961 for white South Africa to frame racial policies without consulting freely-elected non-whites. The Government did indeed claim that it was consulting non-white opinion. Did it not have a Coloured Advisory Council? And had Dr. Verwoerd not announced the establishment of an Indian Advisory Council and of urban Bantu councils? The facts were, however, that discontent with nominated Bantu authorities had reached the stage of near-rebellion in the Transkei and parts of Zululand; that the great majority of Coloured people categorically rejected the Coloured Advisory Council; and that some began to organize for a Coloured Convention. In addition, African and Coloured people co-operated formally for the first time to demand that the Government convene a National Convention, in default of which a three-day stay-at-home demonstration would be proclaimed at the time of the republican inauguration.

Alarmed by the evidence that the South Africa of May 31, 1961, was not the South Africa of May 31, 1910, the Government decided on a policy of armed strength to ensure a peaceful inauguration. Police and military organization was co-ordinated, and powers were taken to prohibit public meetings without permit, to arrest on suspicion, and to remove the discretion of bail from the courts for periods of twelve days at a time. Towards the end of May about 10,000 persons were arrested in raids before dawn; no specific charge was laid against them and they were refused bail. Permits to hold public meetings were widely refused, even, in some cases, to recognized political parties; all police leave was stopped; and a number of military units were partially mobilized. Despite this show of force and of a lack of non-White unity the stay-at-home demonstration was by no means a complete failure and the part played by Coloured people was significant. And it was completely successful in drawing world attention to the deathly hush that fell over South Africa as she entered the republican era to find that her race problems had not changed but that she now stood alone in the world except, possibly, for the sympathy of Dr. Salazar.

All this seems to point to rigidity rather than to the fluidity that was referred to earlier. Nevertheless, there are indications that the situation is more fluid than appears on the surface. The scholars and churchmen within the Nationalist Party were silenced, but not subdued. Outside the party, considerable discussion and movement are in process. The weight of economic pressure is beginning to be felt, and pressure from outside has increased. Finally, non-white opinion and organization have not stood still. Each of these indications must now be briefly examined.

Dr. Verwoerd tried to discredit the Cottesloe conference by telling his followers that a few church leaders did not necessarily represent the churches. He was right. The synods of two of the Afrikaans churches in the Transvaal repudiated, by a majority vote, the Cottesloe resolutions. Nevertheless it is reliably stated that more than eighty Dutch Reformed ministers in the Transvaal alone are what is called "pro-Cottesloe", and the Synod of the Cape Dutch Reformed Church, known to be more liberal, is to meet in October.

The eleven church leaders who attacked *apartheid* have vigorously defended their point of view against counter-attack. When Dr. Visser 't Hooft, then General Secretary of the World Council of Churches, visited South Africa in 1952, he wrote that the danger was not that the Church interfered in politics, but that, owing to the historical co-operation between Church and nation, the Church was far too much inclined to uncritical support of the policies and decisions of Afrikaner political bodies. It is now clear that since the end of 1960 the Nationalist Party can no longer depend on the wellnigh unanimous and uncritical support of the Afrikaans churches. This is a fact of first-rate significance.

### Towards Multi-racial Co-operation

OUTSIDE the ranks of the Nationalist Party there has been an increasing demand for a new national convention that will include non-whites. This idea is not new, and the summoning of some sort of national convention has for some time been accepted policy in the Liberal and Progressive Parties. What is new is that big businessmen and Afrikaner scholars are taking part with leading non-whites in the more or less private discussions that, it is hoped, will lead to a multi-racial conference. There have been such conferences before, called by churches or by avowedly inter-racial bodies. This time the appeal is both wider and deeper. There have, too, been talks between the National Union Party and the United Party under Sir de Villiers Graaff. Mr. Basson, who founded the National Union Party, broke with the Nationalist Party a few years ago, and in July 1961 he persuaded ex-Chief-Justice Fagan to lead his party. Since Mr. Fagan is an Afrikaans writer of distinction, and, before his elevation to the Bench, was a staunch supporter of General Hertzog, it may be assumed that he and Mr. Basson will attract a number of Nationalists who are unhappy about the present trends in their own party.

South Africa has usually proved astonishingly resilient to economic blows. But the continuous fall in her reserves has compelled the Minister of Finance to tighten credit and import control, and for the first time in the country's history, and despite earlier promises to the contrary, to restrict the repatriation of certain categories of overseas capital. Unemployment in the building and furniture trades, a marked falling off in property deals, and the continued lassitude of the market have added to the general sense of uneasiness and lack of confidence. All in all, more than government opponents only have begun to regard a change in politics as a prerequisite to the recovery of South Africa's economic health. Pressure from outside has increased the sense of insecurity. The Republic has no friends at U.N., where the strident tones of the new African States have far greater influence on West and East than the lone voice of Afrikaner nationalism. The pressure is being applied on South-West Africa, but South Africa's internal racial policies are at least as much on trial as her international obligations in regard to South-West Africa.

Despite laws that empower the Government to act as if the country were in a permanent stage of emergency, non-white organizations are optimistic. They are encouraged by the growing evidence that the Government has been

forced on to the defensive, and that many opponents of the Government who were formerly indifferent have been roused. Neither Africans nor Coloured are under much illusion about the difficulties ahead; but there is a new sense of confidence that the final outcome is no longer in dispute.

### Entrenched Leadership

THE picture, then, is of an embattled Afrikaner nationalism in political control, against the wishes, probably of the majority of whites, and certainly of the vast majority of the Republic's sixteen million citizens. The chances of its being overthrown by peaceful constitutional means grow dimmer. Whatever hope there may be of that consists essentially in supplanting the present extreme Nationalists by a moderate Government that will immediately seek consultation and accommodation with freely-elected non-white representatives. Since it seems improbable that the Nationalist Party can be turned out at a general election, the hope of a more moderate régime is reduced to a revolt inside the party, and herein lies an almost insuperable difficulty. The structure of the Nationalist Party is federal, and the five provincial congresses (including South-West Africa) are autonomous, each electing its own leader. The leader of the party as a whole is elected by the caucus, that is, by the Nationalist M.P.s and Senators. Unlike the United Party, whose leader is subject to re-election by a National Congress every two years, there is no provision in the Nationalist Party's constitution for getting rid of the leader except by a vote of no confidence in the caucus. A National Congress is broadly based and is responsive to public opinion within the party; the caucus is more readily dominated by the leader and his immediate following. As Prime Minister, the leader of the Nationalist Party has sufficient control over party nominations and the appointment of government-nominated senators to ensure solid support in the caucus. Moreover, his opponents in the caucus who might be tempted to organize a vote of no confidence would be deterred by the certain consequences to themselves of failure.

As long as the Nationalist Party is in power the position of Dr. Verwoerd, or whoever succeeds him, is wellnigh invulnerable. The possibility cannot be discounted that a number of Nationalist M.P.s, baulked of success in the caucus, might side with the Opposition parties in a vote of no confidence, and thus force the Government to resign. The discipline inside the Nationalist Party makes such a course improbable until, possibly, the rural constituencies of the Transvaal are heavily affected economically. In the meantime, as political and economic pressure mounts, from within and without, the narrow Afrikaner nationalism now in control is fighting to retain power and is using all the weapons to hand. It has already appealed for white unity in the face of "black danger" and "dictation from outside"; it is trying to avoid white unemployment by job reservation. It is meeting criticism and protest by ever more ruthless control.

South Africa,  
August 1961.

# AUSTRALIA

## THE ECONOMIC POSITION

IN the March issue of *THE ROUND TABLE* some account\* was given of the measures taken by the Federal Government in November 1960 to check the internal boom and to right the balance of payments. Those measures comprised (i) tightening-up of credit controls, (ii) raising of bank interest rates, (iii) making of interest on debentures, notes and similar commercial securities no longer deductible from company income for tax purposes, (iv) requiring life insurance companies and superannuation funds to hold 30 per cent of their assets in public authority securities, and (v) increasing sales-tax rates on motor vehicles.

These measures quickly brought the internal boom to a halt, but it was not until May 1960 that the balance of payments showed real improvement. By this time, however, the Government had abandoned or modified the last three of the above measures. This is not to say that the Government's November measures were unnecessary in the circumstances then existing, but its apparent reversals of policy have created a bad impression politically and have suggested that some at least of its actions were ill-considered and unnecessary. Looking back over the past eighteen months many now believe that the need for the near-panic measures of November would never have arisen if import controls had been removed gradually instead of being abandoned almost overnight in February 1960, and if bank interest rates had been raised in June or July instead of waiting until November.

The most contentious of the November measures was the higher sales tax on motor vehicles, and it was the first to be abandoned. Monthly motor-vehicle registrations had reached the record figure of nearly 32,000 in November but by January they had fallen to little more than half this figure, although some of the decline was probably seasonal. As expected, the smaller companies were the hardest hit by the decline in demand, but there was some retrenchment of labour even by the large ones. On February 22, therefore, the Government removed the additional sales tax. Despite a temporary revival in March the industry continued to operate at a level some 20 per cent below that of the previous year. This suggests that the higher sales tax was less important than credit restrictions in cutting demand back.

Another of the November measures to be discontinued is that which made interest on commercial loans non-deductible in assessing liability to income tax. This was intended to check the flow of funds into debentures, unsecured notes and similar short-term securities, particularly those issued by hire-purchase companies and other "fringe" financial institutions offering higher interest rates than were available on government bonds. The November legislation was of an interim character only for the year 1960-61, but it was proposed to introduce permanent legislation later. The Government has

\* See *THE ROUND TABLE*, no. 202, March 1961, pp. 203 ff.



now abandoned this intention, partly because the interim legislation is considered to have served its purpose, and partly because of the technical difficulties encountered in framing permanent legislation that would be equitable as between different classes of borrowers. The only part of the original plan which the Government has put into effect is that to make non-deductible interest on notes convertible at a subsequent date into shares.

Thirdly, the Government has modified its announced intention of introducing legislation to compel life insurance companies and superannuation funds to hold at least 30 per cent of their assets in public authority securities, including 20 per cent in Commonwealth Bonds. This particular proposal encountered such a strong opposition from the insurance companies and from industry generally that it never in fact got off the ground. Instead, legislation has been enacted making the continuance of tax concessions at present enjoyed by life insurance companies and superannuation funds conditional upon the former's maintaining 30 per cent of their outstanding investment, and the latter's maintaining 30 per cent of their new investments, in public authority securities. A highly effective form of tax inducement has thus been substituted for the threat of legal compulsion.

Whatever may be the political significance of these vagaries in government policy their economic significance seems small compared to that exercised by the credit policy of the Reserve Bank and the increase in interest rates.

#### Effect of the Credit Squeeze

IN November 1960 the Reserve Bank called on the trading banks to make substantial reductions in their outstanding advances by the end of March 1961, particularly in respect of finance for speculative purposes, for consumer credit and for the holding of stocks. In the event bank advances were reduced by nearly £A80 million and brought back to the level at which they had stood in June 1960. Over the same period trading bank deposits expanded by £A40 million, the increase being largely attributable to the higher rates of interest offered on fixed deposits. More than half this increase, however, was at the expense of the Savings Banks with the result that the funds available for home finance were seriously depleted. The same period also witnessed a considerable fall in the finance available from hire-purchase firms, particularly for real-estate transactions and used-car purchases. By March 1961 the value of new hire-purchase sales was nearly 40 per cent less than in the previous November.

Credit restriction on this scale soon had an effect on the level of production and employment in the economy. Reference has already been made to the plight of the motor-car industry. The building industry was also seriously hit and new dwelling "commencements", which had been running at nearly 100,000 a year, fell to a rate of about 80,000, with a further fall in prospect. The demand for building supplies, notably for timber, was seriously affected. The failure of several big building contractors highlighted serious weaknesses in the industry, arising from undercapitalization, bad tendering practices and inaccurate estimating. The textile industry and most of the durable consumer goods industries also experienced a marked decline of demand.

The result was a dramatic change in the labour market from a state of over-employment to one of substantial underemployment. Last October vacancies exceeded registrations for employment by 15,000, but by the end of June they fell short of registrations by 100,000. Over the same period the number of persons in receipt of unemployment benefit (for which there is a qualifying period of eight days' unemployment) rose from 10,000 to 57,000, the highest figure since the end of the war except for one month during the 1949 coal strike. The incidence of unemployment has been so heavy amongst immigrant workers that rioting has occurred at one of the largest migrant camps in Victoria. This can hardly fail of an adverse effect on the future inflow of migrants.

In contrast to these decisive effects on the internal position the Government's November measures had a much more delayed effect on the balance of payments. For the first few months of 1961 imports actually increased beyond the November 1960 figure of £A90 million per month. However, there was some turn-down in April and by June they had fallen to £A25 million, which was about the level at which they stood in February 1960, when import restrictions were removed. This gave reason to hope that imports would settle at a level which could be sustained without imposing too serious a strain on the balance of payments. Fortunately, export receipts showed a tendency to improve because of higher wool prices and increased wheat shipments. Moreover, the inflow of capital was remarkably well maintained, although some of this represented merely the deferment of payments for imports. Whatever the reason, international reserves did not fall much after November and the Government was able to supplement them in April by a drawing of £A78 million from the International Monetary Fund.

However, the open question is whether imports can be kept at an appropriate level only by continuing the restraints on internal activity. Official thinking takes refuge in the belief that there is a long lag between the ordering and the delivery of imports, and that much of the ordering in 1960 had been on a speculative basis, in the expectation that import restrictions would have to be restored. On the other hand, about fifteen months elapsed after the abandonment of import restrictions before imports showed any significant down-turn. This suggests that, however strong the speculative element, imported goods had a real cost advantage over many Australian goods. Moreover, the measure of internal deflation necessary to restore equilibrium in these circumstances may well be so large as to be virtually impracticable, if not self-defeating. Already the Government has had to modify its credit restrictions in various directions, particularly by way of providing more finance for housing, and also by way of reducing the statutory deposit reserves required of the trading banks in order to tide them over the end-of-season pressures on their liquidity.

No clear indication of any alternative to "the credit squeeze" has yet emerged. Depreciation of the Australian pound and the restoration of import controls both seem to be ruled out at present. Some emergency tariff increases have been granted to protect the textile and other industries that are particularly vulnerable to import competition. On the other hand the underlying

disequilibrium in Australian costs is likely to be enhanced by the Arbitration Commission's award early in July of an increase of 12s. per week in the basic wage. This increase raises the average basic wage in the six capital cities to £14. 8s. per week and could add about 2 per cent to the annual wages bill. On the other hand recovery may be stimulated by the increase in the purchasing power of wage-earners. The Commission also undertook to consider next February the possibility of adjusting the basic wage by reference to the new Consumer Price index, but it rejected the unions' claim for a restoration of the automatic quarterly cost-of-living adjustments which were suspended in 1953.

### Victorian Elections

AT the elections held on July 15 for the Legislative Assembly and the Legislative Council in Victoria, Mr. Bolte's Liberal and Country Party Government won a third term of office. Final figures will not be known until all the preferences have been counted, but at the time of writing it looks as if the strength of the parties will be about the same as before: Liberal Country Party 39, Australian Labour Party 18, Country Party 9, in the Assembly. In the Upper House also the proportions remain as before. Mr. Bolte is thus assured of an absolute majority in the Assembly, which will enable him to keep to his basic principle of governing without coalitions and bargainings. In the Council he will continue to be in a minority of one in cases where the A.L.P. and the C.P. are both opposed to the Government.

The campaign has had some interesting features. Labour introduced Federal questions into a State election by linking Mr. Bolte's Government with that of Mr. Menzies, trying to take advantage of the criticisms directed against the Commonwealth Government in connexion with the credit squeeze, and visiting the alleged sins of the Federal Liberals upon the Liberals in Victoria. Mr. Bolte, however, refused to be drawn into this involvement, and steadily "plugged" the line that his Government had given the State six years of stable and progressive legislation. The increase in the percentage of votes given to the Democratic Labour Party gives the impression that, at most, some electors who normally support the Liberals wished to record their disapproval of certain Federal actions without penalizing Mr. Bolte.

This was possible owing to the significant rôle played by the D.L.P. Its leader, Mr. Little, made it clear that his party could not at this stage hope to win many seats (actually it has won none), but that it intends to maintain its policy of reforming Labour, and the D.L.P.'s campaign included a large amount of propaganda accusing the A.L.P. of collaborating with the Communists. It could be inferred from this by electors wishing to give Mr. Menzies's Government the little rebuke mentioned above that, if they voted for a D.L.P. candidate, there was no great danger that his preferences would go to an A.L.P. man.

How large this question of preference votes loomed has been made clear by the A.L.P. leaders' complaint that Mr. Bolte won the election with the help of the D.L.P., and their claim that a first-past-the-post system would

not only be fairer, but would in this instance have given the victory to their party.

From behind all these arguments the basic inference emerges that Victorian electors, to a preponderant degree, accepted Mr. Bolte's pledge of continuing stable government, and his argument that this is possible only if one party is definitely given the power to govern. Past history in Victoria no doubt strengthened his case; for before he vindicated this principle, there had been many years of government by means of various and often uneasy coalitions.

### New South Wales Legislative Council

**N**EW SOUTH WALES electors, on April 29 this year, voted quite decisively against the Labour Government's proposal, submitted to them by a referendum, to abolish the Upper House. And thereby hangs a rather long tale.

The New South Wales Legislative Council consists of members appointed for a twelve-year term. A quarter of them retire at a time. Appointment is by secret ballot of the members of both Upper and Lower Houses. It has long been a plank in the policy of the N.S.W. Labour Party that it would fight for the abolition of the Legislative Council; but this fight has not been consistently vigorous. On the other hand, the Liberal Party in that State has not been opposed to the idea of reforming the Upper House, particularly with regard to the election of new members. It has even been said that the Government brought down its abolition Bill only at the direction of the State conference of the Labour Party in June 1958, and not on the advice of Labour members of Parliament.

And yet the fight to prevent the Referendum had some dramatic highlights. Nine Labour members of the Legislative Council rebelled against their own Government, and the constitutional validity of every step was challenged by its opponents. Nine people, mainly Liberal members of the Upper House, had asked the full Supreme Court for an order restraining the Government from holding the proposed Referendum—an order which was refused by the Court on September 29, 1960, as was also (December 15) the plaintiffs' application for leave to appeal.

The Government also had sought and acted upon legal advice, to avoid any danger of being thwarted by technical arguments; and on December 2, 1959, the Legislative Assembly had passed a Bill for an Act entitled "The Constitutional Amendment (Legislative Council Abolition) Act 1959". When this Bill went on to the Upper House, the latter stated that a Bill affecting the powers and privileges of the Legislative Council must originate in that body. The Assembly then passed a Bill (April 6, 1960) in almost identical terms, which the Upper House refused to consider.

In accordance with a clause in the Constitution the Assembly then requested a free conference of managers named by both Houses. But the Upper House retorted that it did not consider this necessary or proper, since it could not consider a Bill originated in the wrong Chamber.

Next, the State Governor, using his constitutional powers, convened a



joint sitting of both Houses. The Legislative Council, as a body, resolved that it would not attend; but some members of it did attend (April 20), and there was an argument between the Government and the Opposition as to whether those attending could legitimately represent the Upper House. It cannot be said that this sitting was a success, though thanks to it the Court's ruling made it permissible to proceed with the Referendum.

The opponents of abolition argued that the change from a bi-cameral to a unicameral House would threaten true democracy and pave the way for absolutism, and even John Stuart Mill was quoted as condemning the evil effect produced upon the mind of any holders of power "by the consciousness of having only themselves to consult". The abolitionists retorted that there was no intention of removing all checks on the powers of the Legislative Assembly, but that the real check should be the people, and that to say an Upper House was necessary showed an undemocratic lack of faith in the judgment of the people.

The judgment of the people on this particular issue we have already stated: they voted solidly against abolition. It remains to be asked what should be done in lieu of abolition, seeing that the Opposition in New South Wales is not against reform of the Upper House. Should ways and means be sought of making the Legislative Council a more modern and worthy body?

#### Privy Council Appeal

CONSIDERABLE public interest has been provoked by a recent decision of the Judicial Committee of the Privy Council. The question, which had been before the High Court of Australia, was whether State charges imposed on hotel-keepers as licence fees were unconstitutionally levied, and it had been argued that such charges were duties of excise, a form of taxation exclusively reserved to the Commonwealth. The High Court, by the most slender of majorities (four to three), held that the taxes imposed were not duties of excise within the meaning of the Constitution and were therefore validly imposed by the States.

The hotel-keepers appealed to the Privy Council, and the question of the latter's competence to entertain the appeal was raised by the States on the ground that this was a case in which an appeal was not competent without a certificate granted by the High Court. The requirement of such a certificate is designed to control appeals of a specifically Federal character—those relating to the powers of the Commonwealth and States *inter se*—and the High Court is not disposed to grant certificates of this kind. The appellants did not ask for a certificate and contended that this was a case in which the Privy Council could hear the appeal without one.

The case went to the Privy Council twice. On the first application the Council granted leave to appeal, but authorized the States to raise, on the hearing of the appeal, the question of the Privy Council's jurisdiction to hear it without a certificate. The Commonwealth, along with the four States not directly involved in the appeal (Western Australia, South Australia, Tasmania and New South Wales), sought leave, which was granted, to intervene and to support the two States which were parties, namely Victoria and

Queensland. This demonstration of solidarity was impressive, and what was particularly notable was the alignment of the Commonwealth and the States on the same side of the case.

The Commonwealth and the States had common interests here, because the Commonwealth was also concerned to enlarge the area of appeal in constitutional cases where the right of appeal to the Privy Council was controlled by the High Court. And on the question of substance, the loss of revenues in the States which would have followed an adverse decision would, most probably, have upset the financial relations between the Commonwealth and the States.

The Privy Council held that it had no jurisdiction to hear the appeal in the absence of a certificate. And that is how the case ends. The hotel-keepers will not, apparently, ask for a certificate, and consequently the majority decision of the High Court of Australia stands. All governments in Australia are relieved, and the Press has raised anew the question whether appeal to the Privy Council should survive.

Underlying these procedural complications therefore was the question of whether Australia's constitutional issues should be decided by a court outside Australia—a question now decided in the negative as far as *inter se* issues are concerned—and the wider problem of whether there should be any court of final reference outside Australia for any purpose at all, and if so whether the Privy Council satisfactorily fulfils this function.

Australia,  
August 1961.

## NEW ZEALAND

### A SEVERE SHORTAGE OF OVERSEA FUNDS

IN the economy of a trading nation such as New Zealand, overseas earnings from the sale of export produce and the maintenance of an adequate level of reserves held abroad are key factors influencing the state of internal economic activity. Although no Government has ever stated what it considers to be a satisfactory level of reserves, the Royal Commission on Monetary, Banking and Credit systems, in its report, published in 1956, considered that "If the Government wishes to preserve a reasonable degree of freedom on external trade and to avoid undue reliance on overseas borrowing, it seems evident that the exchange reserves of the banking system must be maintained, in a period of prosperity, at a level equivalent to at least six months' overseas payments".

At the end of June 1961 overseas reserves, at £59.6 million, covered no more than just over two months' import payments at the current rate. They had reached this low level well before the time of the year when they are run down as part of the normal pattern of trading.

The reasons for this low level of overseas reserves are not difficult to pinpoint. In the first place, over the first six months of 1961, price levels for all of the major export items (with the exception of cheese) have been lower than last year, and although a heavier volume of production, particularly of butter and wool, has been sold overseas this year, receipts for total exports to the end of May were, in fact, lower than in 1960.

While this reduced level of export receipts has affected our overseas reserves, the prime factor leading to their present dangerously low level has been the heavy drain caused by the very high total of import payments since August 1960, on licences issued in the last half of the year. Over the first five months of this year, payments for private imports totalled £121.8 million compared with £93.4 million last year, while for the year ended May 31, 1961, they totalled a record of £284 million, compared with £223.8 million for the previous year.

It is against this background of overseas reserves already at a dangerously low level, and with them still under severe pressure from a continuing high level of import payments, that the Government has taken action to restore some balance to the economy.

First, it acted to boost the level of overseas resources available, by raising a £20 million loan in London. It has also recently announced its intention to make application to join the International Monetary Fund, under terms which would give the Dominion drawing rights up to £56 million, of which £22 million would be available at short notice. These steps to make additional funds available abroad, together with a credit of £10 million previously arranged with the Midland Bank in London, are designed to provide additional funds over a period. Their result should be to give time for the

internal measures, introduced by the Government to slow down the economy, to become effective.

The first of these measures was a move to reduce the extremely high level of trading bank advances. At the end of March these were over £233 million—£51 million, or 28 per cent, above the level of March 1960. In making its announcement, the Reserve Bank recognized that trading bank advances had contributed to inflationary pressures and a high level of importing over a short period. The action it took to tighten credit included a rise in the discount rate from 6 to 7 per cent, announcement of an intention to increase the ratios under which trading banks are required to maintain a certain proportion of their liabilities at the Reserve Bank, and an arrangement with the trading banks to increase overdraft rates and to adopt a selective advance control policy aimed at curtailing consumer expenditure and keeping advances to importers more firmly under control.

A second measure designed to curb internal demand was the amendment of the hire purchase regulations to make it a little more difficult to buy goods on hire purchase credit. Under the new regulations a higher deposit is required for all types of goods sold under hire purchase and the maximum period for repayments is eighteen months.

Action has also been taken to make the available supply of overseas reserves go further. One step to achieve this was the introduction of restrictions on allowances for overseas travel, but the main method of approach was with regard to imports. Virtually all of New Zealand's private imports are subject to control by licensing. Normally the import licensing period runs on a calendar year basis, with importers receiving licences to import goods to a certain total, in the calendar year for which the licences are granted. Licences had earlier been granted for the whole of 1961, but towards the end of June the Minister of Customs announced that the period for which these would operate, would be extended to June 30, 1962. Some additional licences will be issued in the intervening period, but the Minister estimated that the effect would be a cut in imports totalling £50 million for the eighteen months ended June 30, 1962.

Besides the steps outlined, designed to preserve the overseas balances and if possible restore them to a comfortable working level, the Government has floated two loans, the first, of £10 million, over-subscribed to the extent of £3.7 million, and the second for £15 million slightly under-subscribed. It has also set up a committee to investigate and advise on ways and means of encouraging and increasing small savings. However, a continuing very high level of unfilled vacancies in industry—9,100 at the end of May—and the fact that trading bank advances are still about £47 million above last year and that transactions through the banking system, as measured by bank debits, are sustained at record figures, show that the corrective measures introduced are taking time to show their effects. Further tightening may be necessary to avoid more direct braking methods later in the year.

#### Monetary and Economic Council

**A**N interesting and novel venture in the economic field was announced by the Government at the end of April, when it set up a three-man Monetary



and Economic Council, which is to be completely independent and free from political control and to have the right to publish its reports. The Council, which has appointed its own expert staff, is composed of two of the Dominion's leading economists and a public accountant, and the Government, in addition to giving it the right to publish its views, has set out for it a wide field of investigation. Its chairman is Professor F. W. Holmes, Macarthy Professor of Economics at Victoria University of Wellington.

The main function of the Council will be to report periodically to the Minister of Finance on the extent to which price stability, economic growth, full employment and higher living standards are being achieved, and to recommend both short-term and long-term measures which should be taken to promote these. In addition, as and when the Council deems it appropriate to do so, it will report on:

1. The main economic and financial problems which affect costs and internal price stability.
2. The provision of finance for expanding primary and manufacturing industries and services.
3. How to ensure that the creation and issue of money is kept in balanced relationship to the production of goods and services.
4. Any reforms in the money system it deems desirable.

There is wide division of opinion within New Zealand between the primary producers and those engaged in secondary industries, as to the extent to which producers' costs within New Zealand are affected by the expansion of secondary industries and as to the wisdom of the current policy of encouraging further industrial development, except where manufacturers are utilizing locally produced raw materials. Both sections are given to expressing emphatic but not disinterested views, and the reports of the newly created Monetary and Economic Council, embodying the informed opinions of some of the country's ablest economists, will therefore have great value. As both political parties incline to over-optimism when preparing their programmes before elections, and as both then tend to make promises regarding reduced taxation and other benefits that will follow their election, some intriguing possibilities lie before the Council when it sits down to prepare its reports. Whether the enthusiasm of governments for unbiased advice, from a body that is not subject to political control, would long outlast trenchant criticism of government economic policy, remains to be seen.

#### **Butter Dumping in the United Kingdom**

**N**EW ZEALANDERS are proud of the farming efficiency of their country and of their close and long-standing trading ties with the United Kingdom. In the Dominion's early days, the country's farming products were exchanged, almost exclusively, for the capital and consumer goods required by the settlers; and although multilateral trading developed as the country matured, just over half our imports still come from the United Kingdom. Indeed, for very many years, New Zealanders regarded their country as a vast farm from which the cities of the homeland—as it was then regarded—were fed.

During the 1939-45 war New Zealanders readily accepted both meat and butter rationing, in order that larger supplies could be shipped to their hard-pressed kinsmen in the United Kingdom. When the war was over and it appeared that European agricultural exports would not be available in quantity for years, New Zealand agreed with the United Kingdom to plan for substantial production increases. In return, the United Kingdom Government granted New Zealand the right of free entry for meat and dairy produce until 1967.

This historical background is needed to understand New Zealand's consternation at the trading pattern which has developed in Europe, particularly with butter. To the New Zealand farmer, who can supply dairy produce at lower prices than any other country and still prosper, it seems completely wrong that his prices should be reduced to unprofitable levels through dumping by countries that maintain high dairy produce prices to their own people. When the United Kingdom placed anti-dumping legislation on its Statute Book in 1957, New Zealand dairy farmers imagined that their difficulties through dumping were nearly over and that, once they proved that New Zealand was suffering "material damage", the United Kingdom Government would apply anti-dumping duties against the offenders.

The dumping issue has been very much to the fore during the past six months and dairy farmers here have been extremely impatient at what they regard as the lack of action, despite all the industry's pressure for relief. Butter production has been high in Europe this summer and, though some countries there have adopted OEEC recommendations and encouraged local consumption, others have increased their exports to the United Kingdom. The market has been depressed since the beginning of the year and France, with a surplus variously estimated at between 10,000 and 20,000 tons, has been determinedly exporting some hundreds of tons a week to the U.K. market where, in June, it was selling at around £300 a ton less than the price in France.

New Zealand has raised the dumping issue repeatedly and asked that protective action should be taken, though up till the time of writing, no formal anti-dumping application has been lodged. The United Kingdom Government has been sympathetic and has strongly supported New Zealand's claims for fair trading, when these have been raised in international forums. However, after the whole question has been thrashed out three times at meetings of the committee of OEEC and twice at committee meetings of GATT, New Zealand finds that little has been done to implement the "recommendations" of these bodies. The French, in particular, have refused to alter their butter exporting programme or to adopt the recommendation of OEEC to reduce prices and increase sales locally and butter prices have continued low since February. Certain other European countries have adopted some of the recommendations but dumping still remains a problem.

#### **The United Kingdom and the EEC from a New Zealand Viewpoint**

**T**HE development of the European Economic Community has been closely followed here, from its inception, but it is only during the past three months, since it appeared likely that the United Kingdom might join,

that it has become an issue of major importance. For close on twelve months past, some of those attached to primary producer exporting organizations have concerned themselves with the likely effects the United Kingdom's entry would have upon our exports. The further they have investigated, the more gloomy they have become, because spokesmen for the EEC have made it perfectly clear that entry could come about only after acceptance of the restrictive and strongly protectionist devices embodied in the proposed common agricultural policy of the community. As this, if not amended, would mean that primary produce exports from the "Six" would have duty-free entry to the United Kingdom market, while New Zealand primary produce would be subjected to tariffs or quotas or to a combination of the two, the possible drastic effects upon New Zealand's economy were clear.

Both before the setting up of the EEC in 1957 and since, the United Kingdom Government had repeatedly emphasized that it would not join the Community if it would be detrimental to the Commonwealth. It is realized here that it was the Commonwealth association, combined with the problem attaching to British agricultural subsidies, that kept the United Kingdom out in the first instance and the general opinion within New Zealand, up till recently, was that these two factors would continue to prevent her joining.

More recently, statements in the British press, and comments made by certain of the United Kingdom Ministers, made it clear that the idea of entry was being actively canvassed and that the United Kingdom Government was under strong pressure from industrial interests to join. The steady flow of cables, some of which made it appear that entry was imminent, increased the feelings of apprehension here. The result was that, during the latter part of May, leaders of various sections of opinion, from the Prime Minister down, expressed strong views as to the likely effects such an event would have upon New Zealand's economy. The Prime Minister's own comment that it would be "disastrous" was among the milder terms used. These comments were, of course, based on the assumption that the United Kingdom would join the EEC on existing terms and conditions.

The British Government's decision to send three of its senior Ministers to the Dominions to discuss the problems associated with Britain's entry into EEC was greatly welcomed here. Early in July the Secretary of State for Commonwealth Relations, Mr. Duncan Sandys, spent some days in New Zealand, during which time he had detailed discussions with Cabinet Ministers and others, including the chairmen of the various primary produce boards. During these talks it was made clear to Mr. Sandys that the entry of the United Kingdom, on present conditions, would impose extremely serious financial burdens on this country and have stultifying effects on its efficient primary industries. It was pointed out that the country's whole farming pattern had been developed to provide the United Kingdom with low-priced foodstuffs and that great benefits had resulted to both countries through the linking of the two economies, the one predominantly industrial and the other principally pastoral.

In a joint communiqué issued after the talks on behalf of the New Zealand

Government and Mr. Sandys, it was stated that Mr. Sandys had assured the New Zealand Government that

the British Government fully understood the dependence of New Zealand's agriculture on the British market. . . . In the course of negotiations *re* joining the Common Market the British Government would seek to secure special arrangements to protect the vital interests of New Zealand and other Commonwealth countries and Britain would not feel able to join the EEC unless such arrangements were secured.

At the same time, in the communiqué, Mr. Sandys pointed out that

it had to be recognized, even if Britain did not join the Common Market, New Zealand might, in any case, be faced with difficult problems in finding outlets for its increasing agricultural production. There were limits to the British market.

The New Zealand Ministers maintained throughout, and in the communiqué stated their position, that they could see no effective way of protecting New Zealand's vital interests other than by unrestricted duty-free entry. Mr. Sandys, on the other hand, considered that in any negotiations it might be necessary to explore other methods of securing comparable outlets for New Zealand exports. However, he made it clear that, if negotiations were opened, the New Zealand Government would be fully consulted at every stage. The communiqué concluded by saying that, in the light of the assurances given, the New Zealand Ministers informed Mr. Sandys "that they would understand if, after considering the views of Commonwealth countries, the British Government should open negotiations with the European Economic Community".

The result of Mr. Sandys's visit could best be described as leading to a feeling of qualified optimism here. The British Government, through a senior Minister, now has a complete appreciation of the serious effects on New Zealand's economy that would ensue if the United Kingdom joined the EEC on present terms, and of the strain such entry would put on Commonwealth ties. Similarly the New Zealand Government and those closely associated with the formulation of policies in connexion with our primary industries, appreciate the complexity of the problems facing the United Kingdom and of the position of the British Government in connexion with them. Until such time as definite knowledge is available regarding the concessions the United Kingdom Government could obtain in connexion with agriculture are known, the exact effects upon New Zealand cannot be ascertained. It would appear though, that a painful period of readjustment would have to be faced.

New Zealand,  
August 1961.



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